

Monday August 24 1992
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Logic behind LSTs
move out of Europe
Page 11



Britain and the ERM
Major is forced to grit
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High-definition TV
Europe fails to get
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Germany
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attack in Rostock
Page 12

FINANCIAL TIMES

Tuesday August 25 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

UN and EC set terms for talks on Yugoslavia

Participants in the talks on Yugoslavia will be asked by the United Nations and the European Community to accept four basic principles as a route to a long-term solution to the Balkan crisis. The "code of civilised behaviour" will be unveiled at the UN/EC-sponsored peace talks opening in London tomorrow. Page 13

Russian debt debate: Russia will discuss deferring repayments on its \$70bn foreign debt at Paris talks this week with the Group of Seven leading industrial nations. Page 2

Lebanese speaker quits: Hussein Hussein, Lebanon's pro-Syrian parliamentary speaker, resigned after alleging vote-rigging in the country's first general election for 20 years. He had urged the government to scrap polls in his district after the pro-Iranian Hizbollah took a lead. Page 4

Uni Sharebrand shares: and bonds were suspended in Oslo after talks collapsed between the creditors of the beleaguered Norwegian insurer and finance ministry officials. Page 16

Maytag, the big US domestic appliance maker, forecast a 33 per cent drop in underlying third-quarter earnings and said it was taking a \$65m restructuring charge to cover reorganisation in Europe and the US. Page 19

Israel cancels expulsions: Israel's Labour government cancelled deportation orders issued against 11 Palestinians by the previous Likud administration. The move marked a further concession as Middle East peace talks resumed in Washington. Page 12

Refugees moved after neo-Nazi attacks: German officials began evacuating asylum-seekers from a refugee hostel in Rostock as racist neo-Nazi violence continued for the third day running. Buses carried the asylum-seekers (left) from the east German city's new refugee hostel to former military barracks elsewhere in the city.

A local police chief said neo-Nazis had driven in convoys from Berlin, Hamburg and other cities, using citizens' band radio to co-ordinate their attacks. Page 12

Belgian ex-bank chief admits fraud: Jacques Labor, 66, a former financial controller of Belgian state bank Credit Communal, has admitted stealing \$570m (\$85m) in funds over more than 35 years, Brussels' crown prosecutor said. Officials said he had given himself up on Friday, pleading remorse and inability to repay loans.

Envoys flee Kabul: French and Italian diplomats left Kabul before dawn together with the Bulgarian ambassador, who was injured by shrapnel. Their flight came after another night of intense fighting in the Afghan capital between the government and dissidents. Page 4

Nikon settles suit: Japanese camera maker Nikon is to pay US control group Honeywell \$45m to settle a legal action involving Nikon's use of patented auto-focus technology. Page 19

Rothschild Bank Zurich: Shareholders in the Swiss bank are to inject new capital after the discovery of bigger loan losses than previously reported. Page 13

Arabs divided on plans: Allied plans to declare a "no-fly zone" over southern Iraq have caused grave misgivings in the Arab world, including countries which backed the US-led Gulf war alliance. Page 4

King Hussein's health: Malignant cancer cells were removed from the Jordanian king's urinary tract in tests last week but he is expected to recover fully, his doctor said.

Malaria drugs: Australian scientists said they had developed a process to boost production from a plant known to alleviate malaria. Chinese production of the plant Qing Hao cannot meet demand. Rhone-Poulenc of France holds the patents on the Australian process.

Streamlined jets: Japan Air Lines, the country's biggest carrier, is introducing unpainted aircraft which are 300lbs lighter and use 200 drums less of fuel a year than painted ones. They will be used for cargo flights.

Tiger attacks: A five-year-old Indian girl was snatched by a tiger and eaten. The animal grabbed the child from a tourist van at a national park south of Bangalore.

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,311.1 (-54.5)	New York binchime	1,995
Yield	5.21	London	1,994
FT-SE Eurotrack 100	1,818.52 (-20.02)	DM	2.8 (2,797)
FT-A All-Share	1,898.28 (-2.24)	FF	5.525 (5,505)
Nikkei	16,627.96 (+11.08)	Sfr	2.475 (2,487)
New York binchime	2,311.1 (-54.5)	Y	248.5 (245.5)
Dow Jones Ind	2,311.1 (-54.5)	Z index	92.4 (91.7)
S&P Composite	411.29 (-0.36)		
US LUNTIME RATES		DOLLAR	
Federal Funds	3 1/4%	New York binchime	1,402
3-mo T-bill	3.15%	DM	4.785
Long Bond	7.48%	Sfr	1.24136
Yield	7.48%	Y	125.845
LONDON MONEY		LONDON MONEY	
3-mo interbank	10 1/4% (10 1/4%)	DM	1,403 (1,437)
Life long bill future	99 1/2 (99 1/2)	FF	4.78 (4.86)
NORTH SEA OIL (Argus)		Sfr	1,241.5 (1,277)
Brent 15-day	\$18.775 (same)	Y	124.5 (125.0)
Gold		S index	68.5 (68.5)
New York Comex	\$341.5 (337.3)		
London	\$342.2 (337.45)	Tokyo close	Y 125.33

Austria	Sch20	Hungary	Fl 182	Malta	Lm2.50	S. Arabia	Sr 90.00
Bahrain	Dm 1,000	Indonesia	Rp 1,000	Morocco	Md 111	Singapore	S\$ 1.10
Belgium	Bf 90	India	Rs 20	Neth	Fl 3.50	Spain	Pt 200
Cyprus	Cy 100	Indonesia	Rp 1,000	Nigeria	Naira 20	Sweden	Sk 100
Czech	Kc 20	Israel	Sh 10.00	Norway	Nkr 16.00	Switz	Sfr 2.00
Denmark	Dkr 14	Italy	Lira 200	Oman	Qr 1.00	Thailand	Bt 20
Egypt	Eg 100	Jordan	Jd 100	Poland	Zl 100	Taiwan	Dt 1,000
Finland	Fm 100	Korea	Won 200	Philippines	P 100	Turkey	L 100
France	F 100	Kuwait	D 100	Portugal	E 100	UAE	Dh 2.00
Germany	Dm 2.00	Lebanon	L 100	Qatar	Qr 100		
Greece	Dr 200	Lux	Lfr 100	Oman	Qr 100		

World stocks slide as dollar falls despite bank intervention

By James Blitz in London and Patrick Haveron in New York

WORLD stock and bond markets fell sharply yesterday after repeated intervention by central banks failed for the second trading day in a row to stop the decline of the dollar.

Investors sold financial assets on fears that the continuing fall of the US currency against the D-Mark could trigger a rise in interest rates on both sides of the Atlantic.

The continued strength of the German currency also put pressure on the pound and the Italian lira as they moved close to their floors against the D-Mark in the exchange rate mechanism of the European monetary system. That threatened a rise in interest rates in both the UK and Italy.

The intervention to buy dollars for D-Marks by 15 central banks, including the Federal Reserve, Bundesbank and the Bank of England, failed to arrest the dollar's decline.

In London, it closed at a record low of DML4035, down more than 3 pennings on the day and 7 pennings in the past week. Later, in American trading, it slipped further to DML3988, but recovered slightly to DML4010 by late afternoon. The pound gained nearly 5 cents against the dollar, closing at \$1.9945. At one point in intra-day trading, sterling was over the \$2.00 level for the first time since February 1991.

On the London stock market, the FT-SE 100 index lost 54.5 points to close at 2,311.1, its biggest one-day fall since the Soviet coup against president Mikhail

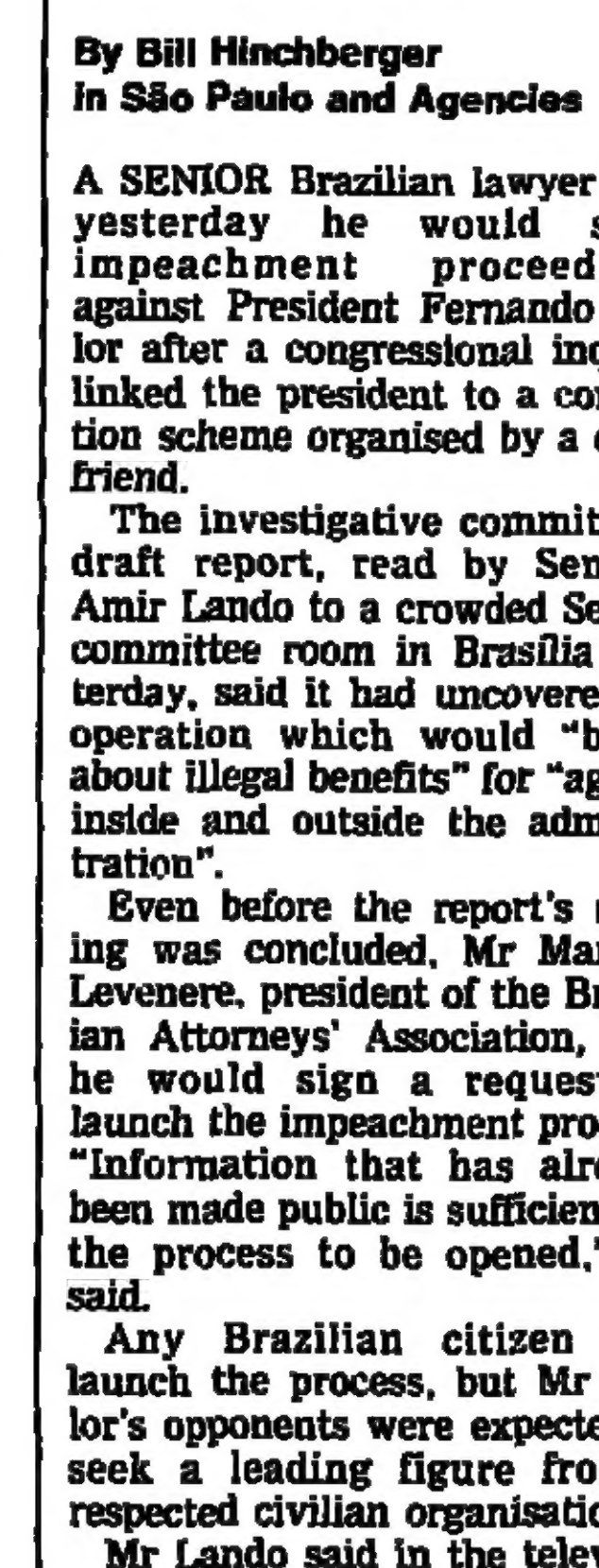
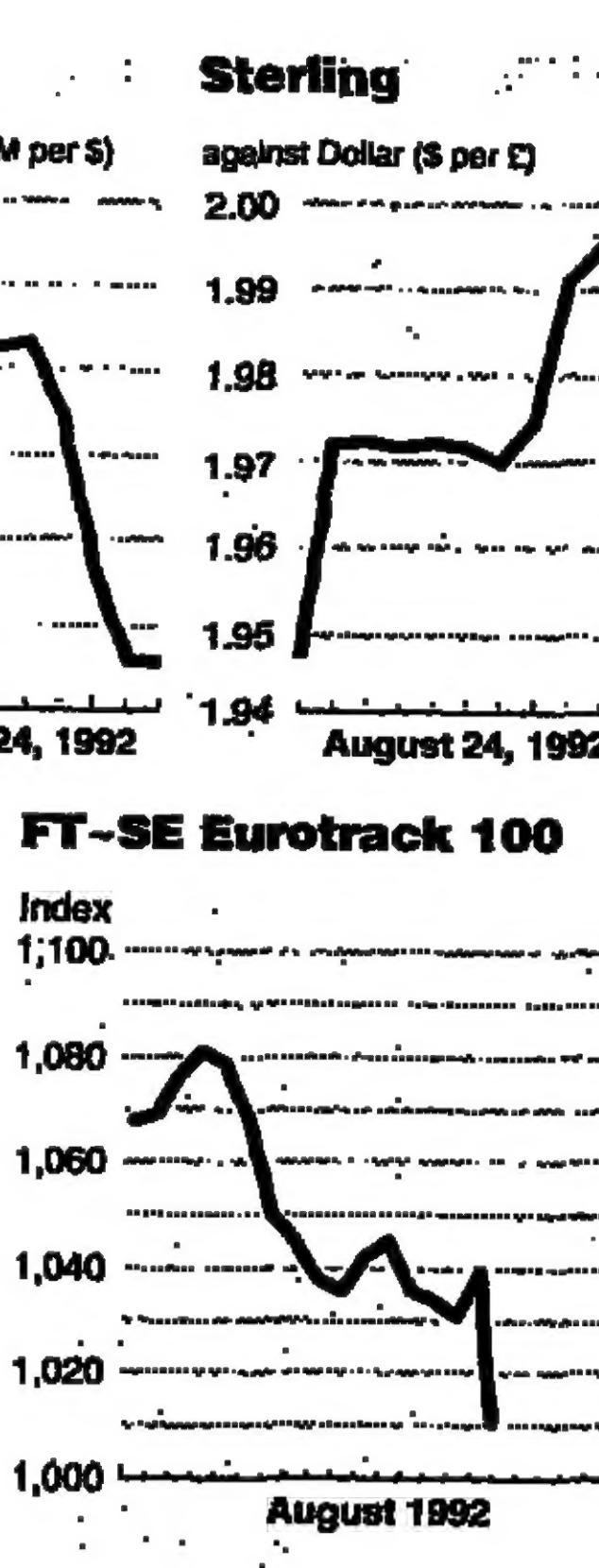
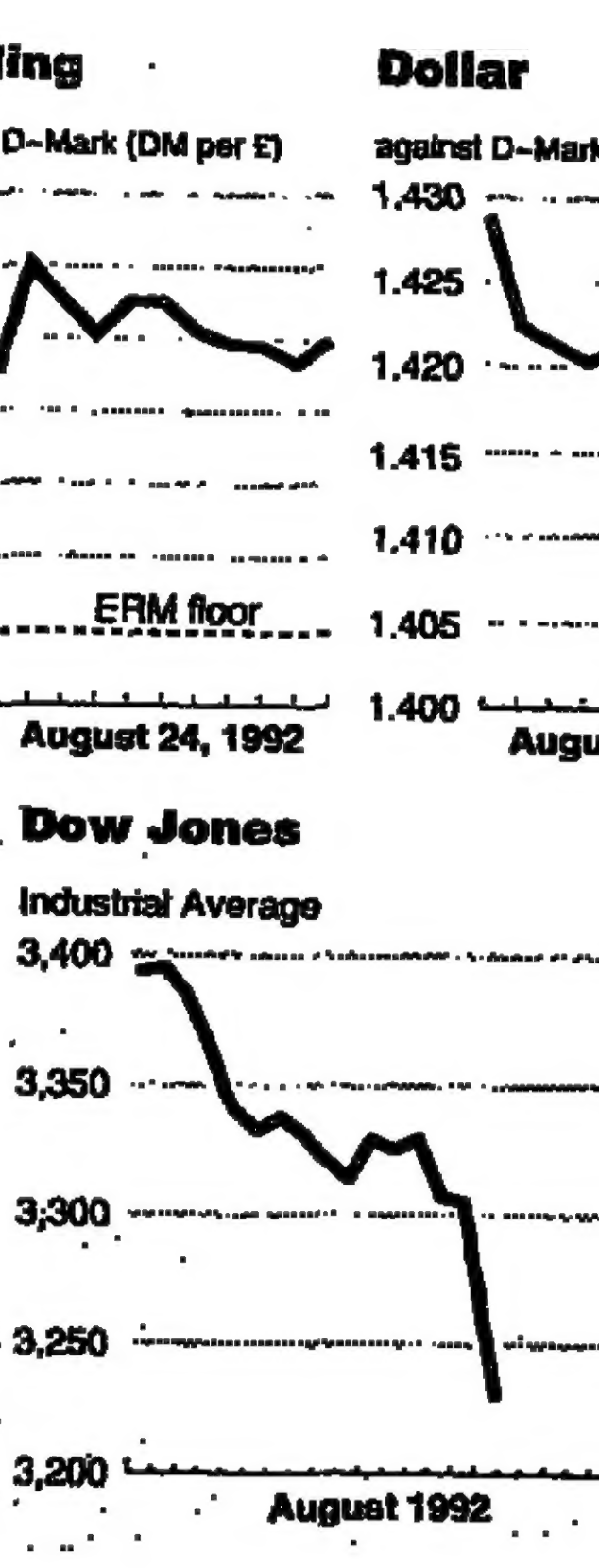
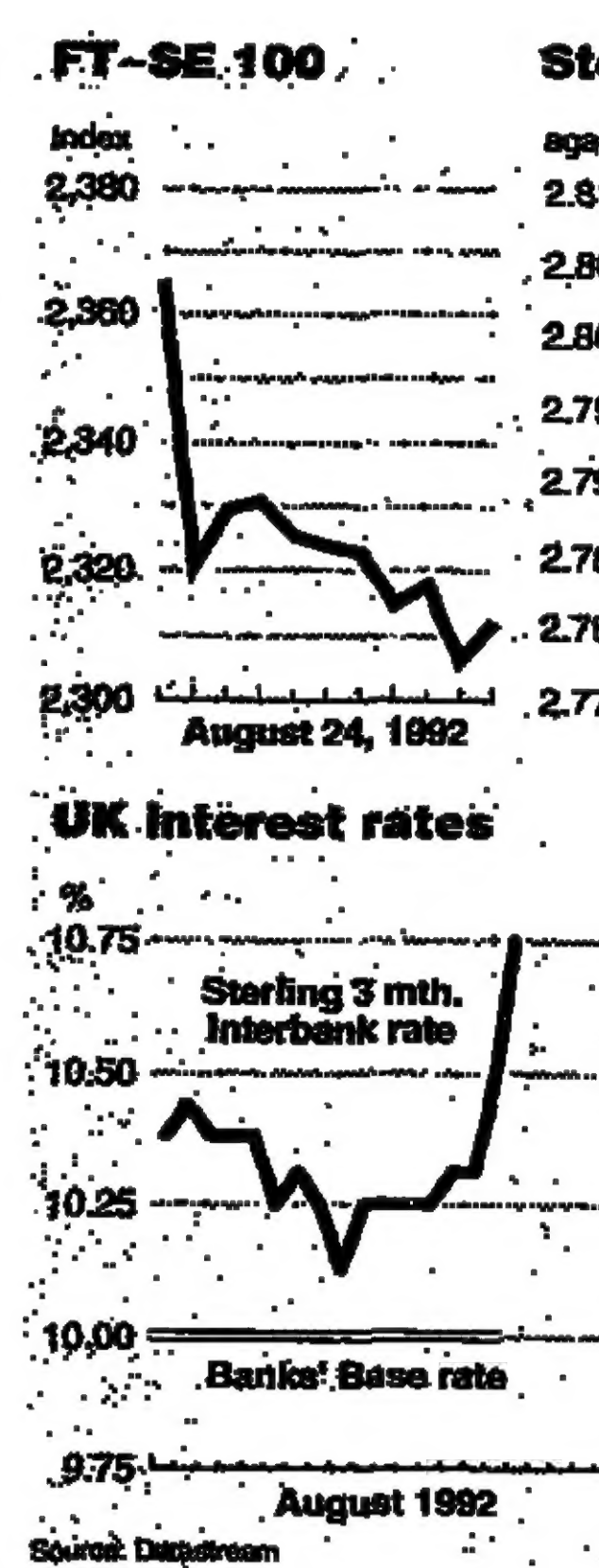
Gorbachev last August. Bourses in Frankfurt and Paris lost 1.4 per cent and 3.1 per cent respectively, while on Wall Street, the Dow Jones Industrial Average closed down 25.93 at 3,228.17. This followed a 50-point decline on Friday.

Bond prices in Europe and the US also fell sharply. The US

- Bonn defends Bundesbank over dollar, Page 2
- ERM 'may have to be scrapped', Page 6
- Fear that weak dollar will worsen recession, Page 6
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benchmark 30-year bond fell more than one point on fears that the lower dollar would deter foreign investors from buying US government securities.

In yesterday's intervention, the fifth such operation in the past month, the central banks bought dollars in five separate waves in both European and North American trading. The action took place as the US currency fell through the DML43 level yesterday morning in Europe.



appeared about the same as it had been last Friday, in which case about \$1bn would have been spent. This modest level suggested that the Fed wanted to smooth the path of the currency's fall rather than halt it outright.

Mr John Lipsky, chief economist at Salomon Brothers, the New York investment group, said: "Interventions of this kind

normally only succeed if the markets feel there is a good chance of a change in policy by the central banks involved. That is not the case at the moment."

The strength of the D-Mark raised new tensions inside Europe's ERM. The pound dipped to a new low against the D-Mark of DM2.7950 in London, before closing 1/4 of a penny firmer on

the day at DM2.8000, despite worse-than-expected UK trade figures for July. At the close, the pound was less than 3 pennings above its ERM floor against the D-Mark.

In late New York trading, the lira was at L764.00 against the D-Mark, almost touching its ERM floor of L765.00. The lira closed in London at L762.1.

UK faces renewed pressure to raise rates

By Peter Marsh and Ivo Dawmay in London

THE BRITISH government faced renewed pressure yesterday to raise interest rates as the pound remained under strain in the European exchange rate mechanism.

Intervention by the Bank of England and other central banks to buy dollars for D-Marks helped to lift the pound slightly against the German currency, but financial markets signalled the high possibility of a domestically unpopular rise in UK base rates.

The three-month interbank rate, at which UK banks lend among themselves, rose yesterday by 1/4 percentage point to about 10 1/4 per cent. This indicated a likely rise by the autumn of nearly 1 percentage point in base rates, now 10 per cent.

However, yesterday's braking

of the pound's recent falls gave the Treasury and the Bank of England valuable breathing space in their fight to stave off a rise in borrowing rates, which would almost certainly prolong the recession.

The UK currency closed last night at DM2.8, up 1/4 penny on Friday's close, though still perilously close to its ERM floor of DM2.778. At one time yesterday, it touched DM2.795, indicating continued weakness, while an increase in Britain's current account deficit from £747m (£1.4bn) in June to £934m last month did little to help sentiment.

A Downing Street official insisted that the government's position remained unchanged. "We will do what ever is deemed necessary to ensure that sterling remains within its exchange rate mechanism bands," he said.

Government spokesmen attri-

buted the turbulence to the weakness in the dollar and continuing concern over a possible "no" vote in the September 20 French referendum on the Maastricht treaty.

One official said a firm "yes" from France could help to stabilise sterling. But he added: "If it went no, then the countries that are vulnerable could have problems."

A senior UK minister conceded there was little alternative to "toughing-out" the uneasy market sentiments. "We are engaged in one of those wait-and-see situations and the government is determined to see it out."

The Bank of England yesterday refrained from any public action to buy pounds for D-Marks on the currency markets, an action which might help push up sterling's value and further stave off the possibility of a base rate rise.

It is thought the Bank will

intervene in this fashion only if it becomes clear that the dollar/D-Mark intervention has failed to reduce the pressure on sterling in the ERM.

Sterling's weakness triggered a fresh attack on government policies by Mr Gordon Brown, the Labour opposition finance spokesman.

Mr Brown said the trade outlook and growing imports signalled "a fundamental weakness" in the economy that had to be addressed by a stimulus to

investment and employment. Mr Norman Lamont, the chancellor of the exchequer, returned to London last night from holiday. His absence has sparked disquiet among the backbench MPs of his own Conservative party.

Mr John Carlisle, MP for Luton North, repeated his call of a month ago for the chancellor either to restore confidence or to be replaced. "I fear it is not just the policies that are in trouble but the personalities," he said.

The document also charged that the president failed in his constitutional duty by not impeding the use of his name by third persons "for practices not in line" with high moral standards.

The report said the acts could be prosecuted through normal channels, or "crimes of responsibility", related to the president's activities in office, which could

Continued on Page 12
Unlikely economic strongman, Page 3

BANK ON A BANK WITH FAR SIGHTEDNESS.

The world does not stop at the horizon. This basic principle has never had more truth than today. The world is getting smaller and markets grow together. Even so the overall picture must be kept in view whether it's with creative minds or with computers. Because the better our overall picture, the more promising the perspective. Bank on our far sightedness.



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NEWS: EUROPE

German interest rates 'only one factor' in collapse of US currency Bonn defends Bundesbank over \$

By Andrew Fisher in Frankfurt and Christopher Parkes in Bonn

THE GERMAN government yesterday closed ranks with the Bundesbank and rejected charges that high interest rates set in Frankfurt lay behind the collapse of the dollar.

The independent central bank's interest rate policy might have been a factor, but US rates had been "uncoupled" with the aim of helping American exports, the finance ministry said yesterday. "You cannot make the Bundesbank solely responsible for what has happened."

Mr Rüdiger Pohl, one of the group of five leading independent economic advisers to the government, said that central banks' intervention in the market was helpful only as a means of hampering "overdone speculation". It could have no

FRANCE would prefer to raise interest rates, as it has in the past, to protect the franc rather than support any realignment of the ERM, according to economists in Paris, writes Alice Rawsthorn in Paris.

"I don't think France would have anything to gain from realignment, but it could lose a lot of political credibility if it was forced to abandon its 'franc-fort' stance," said Mr Robin Hubbard, chief economist at Paribas. "So far there isn't enough pressure from the dollar to make realignment a serious possibility. But if the French do vote 'no' in the Maastricht referendum next month, then France and Germany may have to choose between realignment and raising interest rates. If necessary the French probably would go for higher rates."

effect on the basic situation while the gap between US and German interest rates remained so wide.

The ministry accepted that the dollar's slump might hit exports, but not all the effects were negative, it said. The D-Mark's relative strength would reduce the costs of oil and other industrial imports, helping dampen domestic price rises, the ministry added.

Meanwhile, the Bundesbank remained tight-lipped. Other than confirming that it had intervened to help stabilise markets, and repeating earlier declarations that it had "no interest" in a weak dollar, it refused comment.

However, it has made clear in recent weeks that while it is uncomfortable with chaotic conditions in foreign exchange markets, it has no short-term

plans to change its policy. A strong D-Mark supports the bank's aim of controlling inflation and attracts funds to help with reconstruction in the east.

Even though German ministers expect to come under pressure to use their influence with the Bundesbank, notably at the planned G7 meeting in Washington in mid-September, the finance ministry stuck to its established position.

Rebutting reports that relations between Mr Theo Waigel, finance minister, and the central bank were under strain, a spokesman said "this ministry has always supported the Bundesbank's independence".

Meanwhile, the BDI federation of German industry, warned of possible damage to the country's main export industries, notably vehicle manufacture, plant and engineering and aerospace.

The federation said compa-

nies would have to make special price arrangements with potential customers if they did not want to lose market share.

However, the German pharmaceutical industry yesterday reported a 6.7 per cent rise in turnover to DM13.5bn in the first half of this year, mostly thanks to exports.

Forecasting "moderate growth" for the year as a whole, BFI, the federal drugs makers' association, said exports had increased by 13.5 per cent to DM5.5bn. Sales for the whole of last year were DM31bn.

Early indications of steady west German inflation emerged yesterday in figures from North Rhine Westphalia, which reported prices up 0.1 per cent on the month to mid-August.

The year-on-year rate of inflation in the most populous state stood at 3.4 per cent.

Swedish short-term money market rates up

By Robert Taylor in Stockholm

SWEDEN'S money markets yesterday reacted to a growing lack of confidence in the government's economic strategy with a rise in short-term money market rates. The equity market also responded negatively, with the general share index dropping by 4 per cent.

Ms Anne Wibbe, the finance minister, said there was no reason for the government to resort to crisis measures to restore confidence. But the main opposition Social Democrats called on Mr Carl Bildt, Sweden's Conservative prime minister, to break the country's political deadlock and start talks with them on a broad-based economic programme to reduce interest rates and the burgeoning budget deficit.

Forecasts suggest the budget deficit could rise as high as SKr140bn (£13.7bn) this year because of rising unemployment, a crisis in the banking and insurance sector and falling tax revenues due to stagnant domestic demand.

"The problem is political. There is declining confidence

in the market that the government will be able to get its policies through," said Mr Nils Lundgren, chief economist at Nordbanken.

A weekend summit conference of Sweden's four-party, non-Socialist coalition government appears to have done nothing to lift the pessimism. But Sweden's main trade union organisation, the LO, has accepted Mr Bildt's invitation to discuss next year's wage round on 15 September, in a move designed to calm the markets.

Some observers, however, believe the government will have to take early action to head off a full-blown economic crisis and a massive outflow of capital.

Yesterday the central bank reported a capital outflow of SKr9.97bn last week, the largest weekly amount since last autumn. The bank can be expected to maintain a tough monetary policy to stem the outflow.

Further cuts in government spending might be announced soon but the markets are not convinced that ministers will stick to their strategy. "Confidence is something you have to

earn and not just proclaim," said Mr Sten Westerberg, one of Sweden's leading investment bankers, yesterday.

In the current financial year the government agreed to make SKr14bn worth of cuts but has not yet succeeded in carrying through all of them. It had been hoped to save as much as SKr4.5bn by denying Swedes benefit for their first two days' sickness absence from work but ministers are uncertain whether this can gain the majority support in parliament.

The government relies on the maverick and populist right-wing New Democrats to get its programme through but that party's leaders remain hostile to what it is being proposed.

"What worries me is that the pressures on the government are all to spend more money, not cut their programmes," said Mr Ulf Jacobson, chief economist at Sweden's industrial federation.

The country's labour market board says it wants a further SKr8.5bn from the government, mainly to provide places on work preparation programmes and training for young people.

Russia seeks debt deal with G7

Moscow to put case for rescheduling at meeting in Paris this week

By Leyla Boulton and Dmitry Volkov in Moscow

RUSSIA IS to present its case for a rapid rescheduling of the former Soviet Union's foreign debt at a meeting of Group of Seven deputy finance ministers in Paris at the end of this week.

Mr Alexander Shokhin, the vice prime minister responsible for foreign economic relations, told a meeting of regional governors yesterday. "Russia will not make it to the end of the year without a postponement of payments... The volume of payments which Russia owes exceeds its hard currency revenues by two to three times."

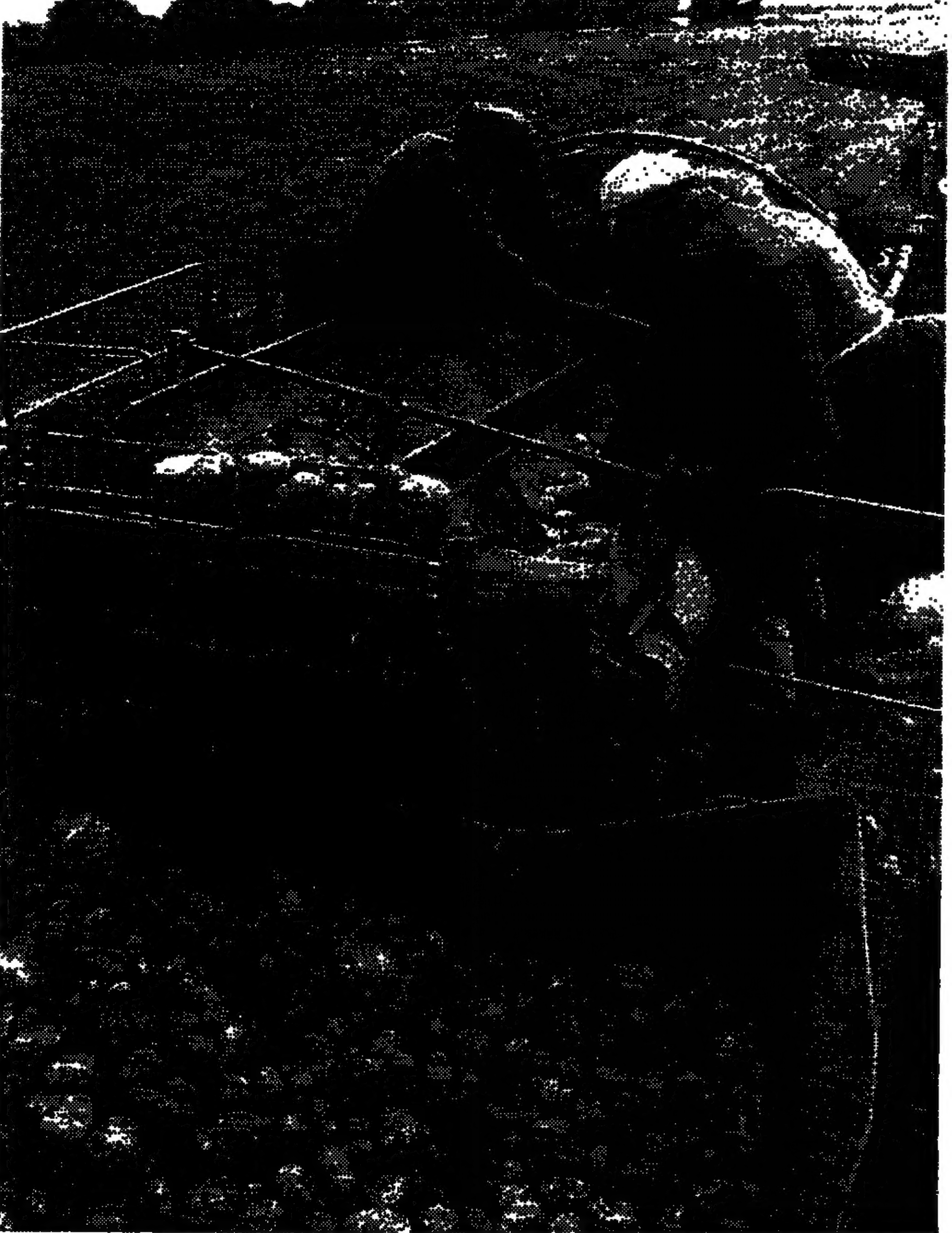
Without giving details, he said Russia was already \$4bn short on payments owed, and for this reason, Mr Yegor Gaidar, the acting prime minister, had suspended repayments on commercial debts through Vnesheconombank, which manages the total foreign debt of around \$70bn. "Our top priority is payments on grain credits," he said, which explained a "fire brigade" like approach in finding cash to pay arrears owed to Canada so that it would resume grain deliveries.

Mr Shokhin's remarks came as an International Monetary Fund delegation began a round of talks in Moscow with Mr Viktor Gerashchenko, central bank chairman, and government ministers about Russia's difficulties in meeting the terms of its first ever agreement with the Fund.

That agreement, which unlocked a first-tranche IMF credit of \$1bn, was a minimal condition for Russia to hope for a full-scale foreign debt rescheduling from its western creditors. So far this year, official and commercial creditors have been rolling over payments of principal on medium-term debts incurred before January 1 1991 on a 90-day basis. The current debt expires at the end of September.

But what was mooted by the G7 leaders at the Munich summit last July was a rescheduling over 10 years of both principal and interest payments falling due this year, with a grace period of 3-5 years during which nothing would have to be paid.

Such a rescheduling was to be conditional on continued progress in following the IMF agreement, and the final negotiation of a deal with the wider Paris Club of official creditors, to be followed by an obligation



The collapse of the communist system in Russia has not removed the need for extra hands to get in the harvest. Here scientists from an aviation technology institute at Zhukovskiy help to sort potatoes at a nearby farm

for commercial banks to offer similar terms.

But Paris Club negotiations, which have already been postponed until September, have looked increasingly shaky as Russia has fallen behind with payments excluded from the deferral, and with Mr Gerashchenko saying last week he wanted to renegotiate the IMF deal.

The commercial banks are also at loggerheads with their governments over whether

such a rescheduling should be concluded, because they argue that they have much more to lose than governments.

A row over the IMF agreement within Russia is intimately linked to debates over how to settle \$83 trillion in arrears between state-owned enterprises. Which solution Russia chooses will have a direct impact on its ability to meet the targets set by the Fund for a budget deficit equaling 5 per cent of gross domes-

tic product and inflation of 9 per cent a month.

Mr Konstantin Kagalovsky, previously responsible for Russia's negotiations with international financial institutions, has been appointed Russia's executive director at the IMF in Washington. Mr Leonid Grigoriev, chairman of the Committee for Foreign Investment, is being tipped as Russia's director at the World Bank, once it manages to pay up its share of World Bank capital.

Just over half the population believed assets should be given away. Only 6.89 per cent of the population supported the government's preferred method of auctioning them.

President Boris Yeltsin has issued a decree reversing an attempt by Mr Russian Khasbulatov, the parliamentary speaker, to take over the Izvestia newspaper.

Izvestia yesterday published an order by the Russian leader telling the Committee for State Property to strengthen the hold of Izvestia's publishing house over its property.

Mr Khasbulatov, irritated by criticism from the paper, decreed this summer that it should be handed over to the Russian parliament, a move widely attacked as an attempt to curtail press freedom.

Poll shows Russians want free sale of land

By Leyla Boulton

WHAT Russians most want in terms of privatisation is the only sort which is not yet allowed: the free sale of land.

In an unprecedented opinion poll on Russian economic reform, 67.81 per cent of respondents said the best result so far has been an elimination of shortages in shops. In second place, 19.66 per cent welcomed an increase in the number of retail outlets as a result of the legalisation of street sellers and kiosks.

But the nation's top complaint, cited by 31.5 per cent of 4,000 respondents around the country, was the shortage of banknotes, which has meant big delays with pay packets. Second came the near-elimination of the value of savings as prices rise sharply while increases interest on savings accounts rises slowly. Another 18.5 per cent cited an increase in crime and corruption.

Completed just as the government announced a scheme to give away industrial assets through a mass voucher scheme, the poll showed that 53.6 per cent believed the free sale of land should form the basis of privatisation. The government, which sees private land ownership as essential, has threatened to hold a referendum to challenge parliament's insistence that land cannot be resold for 10 years. The poll was conducted by the Centre for International Sociological and Market Research in Moscow.

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TV looms larger for British execs

By Gary Mead, Marketing Correspondent

THE daily grind is given new meaning for the managerial classes of west Europe, following publication today of research into the impact of various forms of media on executives in Belgium, France, Germany, the Netherlands and Britain.

While British executives on average appear to watch more television than their European counterparts - 31 per cent viewing two hours or more, against the five-country average of 22 per cent - they also work a shorter average day: nine hours and 24 minutes, against a 10-hour average. The French work longest: 10 hours and 36 minutes.

The fact that the British work shorter hours may have something to do with the much longer time it takes them to get to the office. Those British managers using two types of transport to reach the office generally spend an average 10.7 minutes on the journey, according to the survey. The European average is 53.7 minutes, and it takes the Germans only 48 minutes.

With all that time on his hands travelling to work, it might be supposed that the average UK executive would

get stuck into his newspaper. Well, up to a point... Only 30 of those 106.7 minutes spent daily on two methods of transport are employed scanning the columns. This is the lowest figure in any of the five countries, and compares with an average 36 minutes and a creditable 43 notched up by the Dutch.

No prizes either for the TV-obsessed Brits in the magazine reading department - only eight minutes a day, against a German performance of 30.

MJP Carat International, which conducted the survey, also asked executives which regular newspaper or magazine they would miss most if it ceased publication. National Geographic topped the poll, with the Financial Times a close second. The US magazine Fortune was bottom of the list.

Executives' most notorious pastime - lunch - is obviously coming under pressure.

British managers were found to be the most likely to eat lunch at their desks; the Dutch most favour in-house canteens. A third of Germans claimed to take no lunch break at all.

"International Media in Perspective", MJP Carat International, Broadway House, 2-6 Fulham Broadway, London SW6 1AA.

Italy's TV channels refuse to switch off

By Heig Simonian in Milan

A NEW drama began on Italy's television screens yesterday as hundreds of broadcasters, outlawed earlier this month, vowed to continue transmitting in spite of a deadline to close at midnight last Sunday.

The sword has been hanging over many of Italy's commercial broadcasters since a 1990 law aimed at tidying up the country's crowded airwaves obliged the government to allocate frequencies by last Sunday. Formalising the chaotic broadcasting rules had often been promised, but never delivered as ministers shied away from tackling such a highly-charged political issue.

In the 12 years since private stations started transmitting, the country has developed a patchwork of broadcasters ranging from slick national channels to tiny low-powered local stations, some of which are believed to be fronts for organised crime.

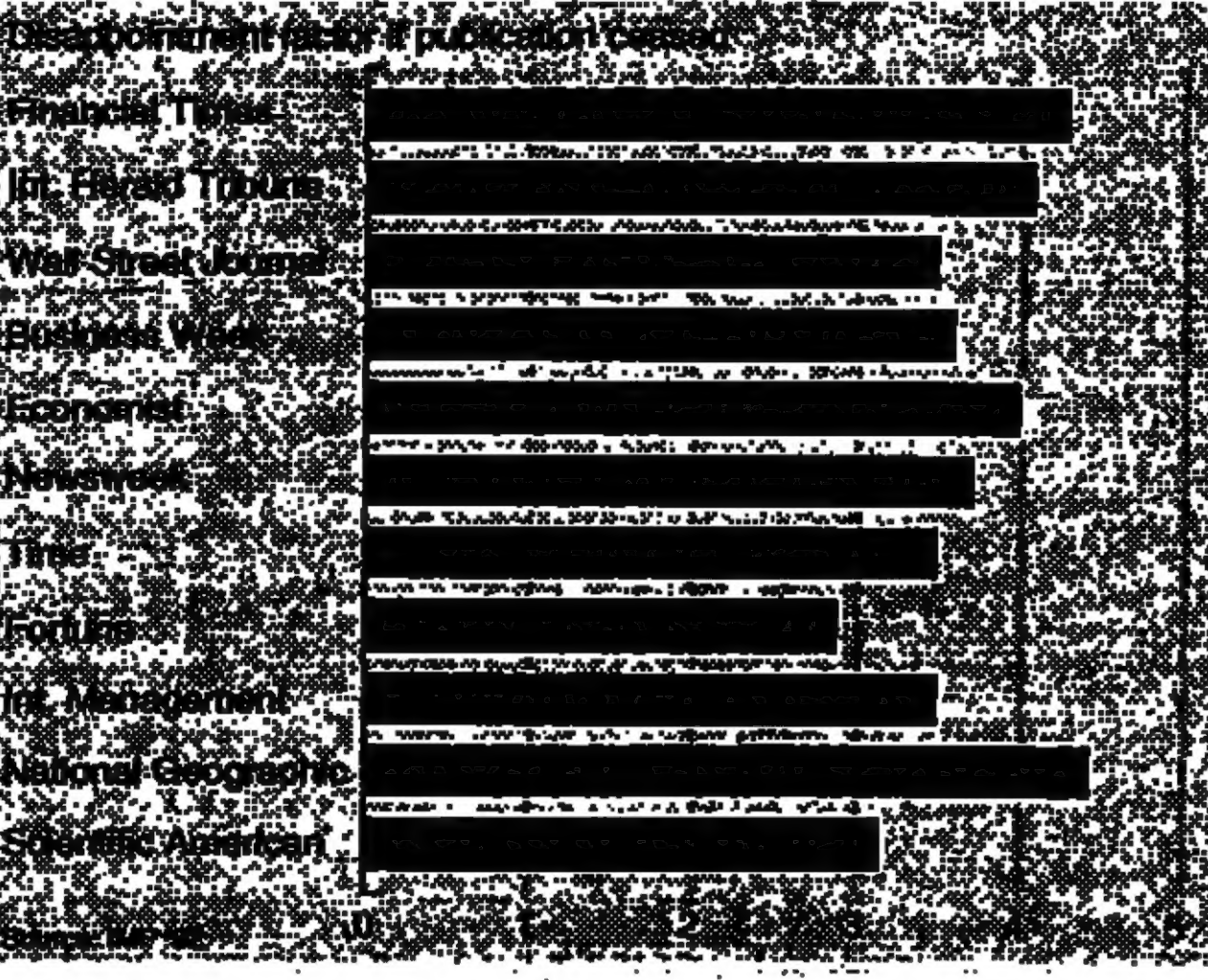
The list of concessions agreed this month by the new government of Mr Giuliano Amato gave the green light to the three private channels controlled by Fininvest, the holding company of Mr Silvio Berlusconi. Other big private broadcasters allowed to continue were Rete A, Telemontecarlo, and subject to certain conditions, the three Tele + pay TV channels, established by Mr Berlusconi, in which he is now only a minority shareholder.

However, almost 800 local applicants were excluded. In the Lombardy region alone, 181 stations which sought authorisation were approved.

Hundreds of stations have vowed to carry on regardless, ahead of what is likely to be a heated parliamentary debate. The local broadcasters have dismissed the list as arbitrary and unfair. Meanwhile, members of the Democratic party of the Left (PDS), the former communists, claim the concessions have given too much power to Mr Berlusconi.

Dozens of local stations have already banded together into a new committee and their campaign is set to gather momentum when others join as expected at a meeting in Bologna later this week.

European executives' reading habits



Banker owns to theft of BFr700m

A FORMER financial controller of Belgian state bank Credit Communal has confessed to stealing BFr700m (£12m) in frauds stretching over more than 35 years, the Brussels crown prosecutor's office said yesterday. Reuters reports from Brussels.

Prosecution officials said yesterday that Mr Jacques Labar, 69, was being held on fraud charges. He had given himself up on Friday, pleading remorse and inability to pay back loans he had coaxed out of customers with the promise of high interest rates.

Credit Communal said it had learned Mr Labar had carried out the frauds by wrongful use of the bank's name and documents and by falsifying the signature of a bank officer. The money had been spent on housing, cars and holidays.

Mr Labar retired in 1989 as inspector-general. In effect the bank's top auditor in charge of fraud prevention, but he stayed on in an advisory capacity.

Balkan sights set on Serbia's Kosovo province

It may be a key to peace or a new focus of bloodshed, writes Laura Silber

AS United Nations and European Community diplomats try to work out a long-term solution to the war in the former Yugoslavia, many diplomats fear that in the short term Serbia's southern province of Kosovo could be the next focus of bloodshed. But despite these fears, Kosovo could hold the key to peace in the Balkans.

Any chance for peace rests on working out a compromise between Kosovo's 2m Albanians, who demand independence from Serbia, and Serbs who insist on retaining the present status of the province - which has no autonomy, no ethnic rights and no working parliamentary democracy.

Without such a compromise between Kosovo and Belgrade, the Serbian capital, ethnic Albanians have few illusions about the region's fate. "If Kosovo erupts it could mean war throughout the region," says Mr Veton Surroi, an Albanian leader whose views are shared by Albanians and Serbs in the province.

Community-sponsored peace Conference on Yugoslavia, last month made a trip to Belgrade to act as a mediator between Kosovo and Serbia, led by President Slobodan Milosevic.

Mr Milosevic, intransigent as ever, dismissed Lord Carrington's mediating attempts as "interference in Serbia's internal affairs".

However, Kosovo has managed to remain outside the war which engulfed Croatia and Bosnia-Herzegovina. This week's London peace conference could determine whether it continues to do so.

Mr Surroi believes the ethnic Albanians should be included in talks about their future status, and not be confined to the sidelines of the conference - their current status. But Mr Vukasin Jovanovic, a Kosovo Serb politician who is also deputy speaker of the Serbian parliament in Belgrade, says any invitation to the ethnic Albanians to attend the talks amounts to encouraging "the hopes of Albanians to secede from Serbia".

Essentially, the view among Serb leaders in Belgrade is that they will continue to rule out any discussion on the status of Kosovo as long as Alba-

nians call for independence from Serbia. Moreover, any signs of compromise on the part of Belgrade with Kosovo could in fact undermine the policies of Mr Milosevic.

After all, it was Kosovo which Mr Milosevic exploited in his bid for power in the late 1980s. Under the pretext of protecting the small ethnic Serb and Montenegrin minorities in the province against alleged discrimination from the ethnic Albanians, he vowed to bring Kosovo back to the Serbian fold.

The late President Josip Broz Tito had carved out of Serbia the southern province of Kosovo and the northern province of Vojvodina, as a means of containing the influence of Serbia throughout the Yugoslav federation. Both provinces were granted a wide degree of autonomy from Belgrade. In particular, Kosovo is viewed as the cradle of Serbian culture.

Mr Milosevic, who sought to redress this perceived historical grievance, moved to curb the autonomy of Kosovo. By 1989, Serbia crushed mass demonstrations in Kosovo, stripped Kos-

ovo of its autonomy, and imposed direct rule from Belgrade. Tens of thousands of Albanian professionals were sacked and replaced by Serbs.

In response to the imposition of a virtual police state throughout the poor province, the ethnic Albanians built their own "shadow" state. Albanians now have their own government, denounced as illegal by Belgrade, their own schools, and their own hospitals.

The question facing their leaders is how long they can pursue the creation of their own, unrecognised state before public opinion among the Albanians becomes impatient with, or disillusioned by, Serb rule and repression.

Certainly, the appalling destruction, and bloodshed in Bosnia has helped consolidate the policy of non-violence propounded by Mr Ibrahim Rugova, the Kosovo president elected in last May's unofficial elections. Moreover, Albanians say, in the event of a conflict with Serbia, there would be a bloodbath in Kosovo.

"Albanians are not preparing for war. They have seen what happened in Bosnia," says a western diplomat. Serb politicians claim Albanian households are concealing arms. But Mr Jovanovic says: "Albanians do not have arms for a serious war."

Serbia is reported to have armed Kosovo's Serbs, who vow to keep control of the province at all costs.

"Many Serbs want a 'final solution'. Serbia wants a war to solve the problem of not being able to live together [with the ethnic Albanians]," admits a Serb official in the Kosovo capital of Pristina.

Yet despite the militancy of Kosovo's Serbs, any decision to change Kosovo's status would be made not by them but by Belgrade.

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NEWS: INTERNATIONAL

Build-up of allied air shield for Shias faces delays

By Our Foreign Staff

US DEFENCE officials yesterday said the US military was ready to enforce an allied ban on Iraqi warplane flights over southern Iraq, but diplomats in the Gulf said the allied plan was facing delays.

The unnamed defence officials, quoted by Reuters news

agency, said the aircraft carrier Independence, carrying fighter and reconnaissance aircraft, headed north from Abu Dhabi in the Gulf on Sunday.

US Air Force fighters were also in position in the region, they said.

The readiness of the US forces contrasted with indications that the timetable for

deploying British and French fighter aircraft had not been finalised and that the siting of operational bases in the Gulf had not been confirmed.

The reports from Washington indicated that President George Bush might delay announcing that the US, Britain and France would enforce a no-fly zone to protect

Iraq's dissident Shia Muslims south of the 32nd parallel. Initially, Mr Bush had planned today to present a united allied front to shield the Shias by formally warning Iraq not to attack them from the air.

Gulf-based officials and diplomats, quoted by Reuters in Kuwait, said that delays had arisen because of widespread

Arab concern that the no-fly zone could lead to the dismemberment of Iraq.

In London, the Foreign Office insisted that consultations among the coalition partners about the mechanics of the operation, such as the precise area of the exclusion zone, were continuing, and emphasised that there had been "just

a few working days" since last week's initial announcement.

Acknowledging that there had been reports of Middle East concern about the future of Iraq, officials drew attention to the strong statements last week by the British and Americans about the allies' absolute belief in the integrity of Iraq.

Britain has committed six Tornados to protecting the Shias, but there has been no announcement on the timing of their departure or where they will be based.

The French Defence Ministry said yesterday that no decision had been taken as to where its Mirage 2000 jets would be stationed in the Gulf region.

Bush pins hopes on work training

By Jurek Martin in Washington

PRESIDENT George Bush tried to put some flesh on his domestic policies yesterday by unveiling new job training programmes designed to make the American labour force more competitive.

His grandiose titled New Century Workforce, an amalgam of new and existing training schemes, would not take effect until 1994. It involves, assuming Congress goes along, new federal spending of as much as \$500 million, to be offset by unspecified budget cuts elsewhere, and preserves a number of programmes the administration had previously tried to kill off.

One feature is to combine youth job training with drug treatment at military installations which are to be made redundant as defence spending falls. Another would provide \$3,000 in retraining vouchers for those laid off in industries adversely affected by changing international competition.

The policy package is designed to answer criticisms by Mr Bill Clinton, the Democratic presidential candidate, that Mr Bush is ignoring fundamental economic questions in his campaign. It is also a response to the specific concern that the North American Free Trade Agreement with Mexico and Canada would displace US workers.

In a speech in New Jersey yesterday morning, Mr Bush predictably contrasted his new scheme with the proposals of Mr Clinton, which he said required new taxes and would destroy jobs, not generate them. His thrust, he said, was "to empower people with jobs instead of empowering bureaucracies with people."

Most of the public opinion polls conducted after last week's Republican convention in Houston continue to suggest that economic problems are the president's Achilles heel in the campaign. A Time magazine survey found only 22 per cent giving him good marks for handling the economy, whereas 61 per cent approved of his management of foreign policy.

In general terms, the polls are beginning to suggest that the president did not get quite the "bounce" out of his convention that Mr Clinton got out of the Democrats' gathering in New York last month. Newsweek gave Mr Clinton a 53-39 point edge, down a little from 55-35 a week earlier, while CNN-USA Today had it at 52-42 (compared with 56-37). Time elicited a 54-40 negative response to the question "does Mr Bush deserve to be re-elected?"

W Saharan referendum plan fails

By Michael Littlejohns at the United Nations, New York

UNITED NATIONS attempts to promote a referendum on the future of the former Spanish territory of Western Sahara have again failed, in which this is a key element, may have to be revised or abandoned.

Mr Boutros Boutros Ghali, the UN secretary-general, told the Security Council in a written report yesterday that without tangible results in further talks in the next few weeks he must conclude that the disputing parties were unwilling to co-operate in implementation.

These parties are Morocco, which claims sovereignty, and the Polisario nationalist movement, seeking an independent Western Sahara.

Under the UN plan a referendum was to have been held last January, four months after a ceasefire went into effect. But the parties have been unwilling to agree on who should be eligible to vote.

UN troops are on duty in Western Sahara for peacekeeping during the process, but in smaller strength than was envisaged - because of the difficulties that have arisen.

Mr Subashada Yakub-Khan, the former Pakistani foreign minister who is the new UN mediator, was due to begin a further round of talks yesterday with the two sides.

In a minor breakthrough, he has obtained their agreement as a confidence-building measure, to focus on safeguarding the rights of political and otherwise, of whichever side is defeated in a referendum.

Saddam condemns 'profiteers' as sanctions bite hard

By Tony Walker in Cairo

A DEFIANT President Saddam Hussein of Iraq, under renewed pressure from the west, has vowed to intensify a stringent campaign against those he describes as profiteers, amid signs that United Nations economic sanctions are biting deeper.

Mr Saddam pledged at an emergency cabinet session on Sunday that he would continue his "war on behalf of the poor", but recent visitors to Iraq report that prices of scarce commodities have "gone through the roof" and shortages are becoming more widespread.

Further draconian measures to root out "hoarders and monopolists" were reported in the Iraqi press yesterday. They follow an emergency "plan of action" to cope with UN sanctions.

The "war on behalf of the poor" campaign will now extend to employees of Iraq's financial institutions who will be obliged to fill in special forms "declaring their movable and immovable property". Employees of Iraq's two state banks

will be required to disclose their bank balances and possessions.

"The government should see to it that nobody accumulates a fortune without the required national and moral right," Mr Saddam told cabinet.

The execution last month of 42 traders accused of profiteering has brought much private business activity to a halt, further adding to the shortages. Belated action by Jordan to stop a steady trickle of trade into Iraq in defiance of UN sanctions has also taken its toll.

Amman-based Iraqi merchants say that officials have been pressuring them to resume trading with assurances that they would come to no harm, but there are few takers.

Members of Mr Saddam's immediate family are reported to have visited Amman recently in an effort to regenerate cross-border trade.

Iraq's announcement last week that it was banning the import of 150 "luxury" items ranging from tomatoes and bananas to whisky, beer, radios, refrigerators and computers suggests that Baghdad is running very low on cash.



Hundreds of Iraqi Shias shout their support for Saddam Hussein in the marshland town of al Huweilah on Sunday

Arabs divided over worth of 'no-fly zone' in Iraq

ALLIED plans to declare a "no-fly zone" over southern Iraq have encountered unexpected misgivings from across the Arab world, including the capitals of states which joined the US-led Gulf war alliance.

The issue is also again exposing divisions among the Arabs. The Gulf states, notably Kuwait, maintain an any-methods approach in dealing with Baghdad, whereas other countries, including Syria, Egypt and Algeria, fear the fallout from another damaging confrontation between Iraq and the west.

Seen from Damascus and from Cairo, the allies are

Tony Walker reports from Cairo and Roger Matthews from Washington

embarking on a new and risky venture whose outcome is impossible to predict and whose consequences could be very grave for the region at a time when it is being buffeted by all sorts of cross-currents from Islamic fundamentalism to deepening economic problems. Looming large is the spectre of Iran profiting from

Iraq's possible descent into chaos.

Among the Gulf allies, Syria has been the most outspoken in its opposition to the proposed exclusion zone. In Damascus on Friday, Mr Farouk al-Shara, the foreign minister, said his country "believed that any step which might threaten the unity of the Iraqi lands would be unacceptable and of grave concern for us in Syria".

Egypt, America's closest Arab ally, has been more circumspect, but it broadly shares Syria's concerns; although its criticism of western plans has been stated more obliquely. This task has been left to

newspaper commentators who invariably reflect the views of the presidency.

"Dismembering Iraq does not necessarily mean that Saddam Hussein will be ousted," wrote Mr Samir Ragab, the paper's editor-in-chief in Saturday's English-language Egyptian Mail. "It is possible that the unified country will be divided into three parts, while Saddam retains power. What will be the case then?"

Concern that the allies have not given due consideration to the consequences of a further escalation causes alarm in Cairo and Damascus. Among questions being asked is: What action will be taken by the

west if Mr Saddam deploys columns of tanks and artillery against Shia rebels in southern Iraq in a ruthless campaign to eliminate the resistance? Would the allies feel obliged, for example, to strafe and bomb Iraqi positions? Gulf rulers, on the other hand, appear less squeamish than their Egyptian and Syrian colleagues about possible fallout from renewed conflict.

In London on Friday, the Saudi Arabian-owned Al-Hayat commented that the allies had now realised that "holders" steps were needed to get rid of Mr Saddam. The paper called for the abandonment of the "superstition" that the survival

of the regime is essential to guarantee the unity of Iraq".

In this case, Al-Hayat reflected King Fahd's hawkish views, in contrast to those of Prince Saud al-Faisal, his foreign minister, who is understood to be warning of the dangers of a break-up of Iraq and further opportunities that would then be created for Iran.

Tehran has not declared specifically its opposition to the "no-fly zone" proposal, but at the weekend its Supreme National Security Council stated that "the Islamic Republic insists that Iraq's territorial integrity and independence should not be violated under any circumstances".

Ayatollah Mohammed Baqer al-Hakim, the Iran-based Iraqi Shia leader, endorsed last week the creation of "safe havens" in southern Iraq without reference to plans by the allies to use warplanes to enforce an exclusion zone.

Whatever Iran may be saying publicly about allied plans, however, it cannot be too displeased about the ban on Iraqi fixed-wing aircraft and helicopters, since it is deeply involved in supporting Shia rebels in southern Iraq with both weapons and ground support. Estimates of Iranian revolutionary guards who have crossed into Iraq range up to 4,000.

NEWS IN BRIEF

Lebanese Speaker claims vote-rigging

Mr Hussein Hussein, the Pro-Syrian Speaker of the Lebanese parliament, resigned yesterday, accusing his political opponents of vote-rigging.

Earlier, the Shia Muslim speaker urged the government to scrap Sunday's polls in his east Lebanon district after the pro-Iranian Hizbollah (Party of God) took a commanding lead in Lebanon's first general election in 20 years. Mr Hussein accused the group of rigging votes.

Interior Minister Sami al-Khatib dismissed a request that counting be suspended in the Bekaa Valley's Baalbek district where Mr Hussein, a traditional leader in the largely Shia area, headed a list of 10 pro-Syrian candidates.



Hussein voting on Sunday

Iran to supply gas to Azerbaijan

Iran will supply natural gas and other fuels to the Nakhichevan region of Azerbaijan, the Iranian news agency IRNA reported yesterday.

Nakhichevan, sandwiched between Iran, Armenia and Turkey, is facing a fuel shortage because of a blockade by Armenia, which has been fighting an undeclared war with Azerbaijan over the disputed enclave of Nagorno-Karabakh.

Nakhichevan's President Geidar Aliyev asked Iran's Oil Minister Gholamreza Azagadeh in Tehran on Sunday for natural gas, petrol and fuel oil supplies, the agency said.

UN studies Khmer Rouge terms

The United Nations is studying new conditions set by the Khmer Rouge for the guerrilla group to implement Cambodia's peace accords, agencies report from Phnom Penh. Khmer Rouge leader Khieu Samphan delivered the conditions to a meeting of Cambodia's Supreme National Council (SNC) in Phnom Penh. The Khmer Rouge wants the SNC's power increased by the establishment of consultative committees to work with the UN in supervising the administration and policing of the four rival factions.

ANC to join exploratory talks

The South African government is to hold exploratory talks with the ANC and the Pan-Africanist Congress during the next 48 hours, Reuters reports from Johannesburg. Government spokesman Izak Rietief said Mr Rieff Meyer, the chief government negotiator, was due to meet a PAC delegation yesterday and would probably resume direct talks with ANC secretary-general Cyril Ramaphosa today.

Mr Rietief said Mr Meyer also planned talks soon with a break-away right-wing party and with Mr Andries Treurnicht's Conservative Party, which might be ready to reverse its earlier refusal to join the talks.

FBI thwarts Jardine share fraud

By Simon Holberton in Hong Kong

THE US Federal Bureau of Investigation has thwarted a \$500m (US\$25.5m) attempt to sell forged share certificates of Jardine Matheson Holdings, one of Hong Kong's leading companies.

Jardine officials said they were informed late last week of an attempt to pass nearly 3.8m of the company's shares. Both the Hong Kong and London stock exchanges were informed.

The number of arrests in the US is unknown.

Mr Neil McNamara, Jardine's company secretary, said the Hong Kong police had told him the FBI was confident all forged share certificates had been recovered.

Mr McNamara pointed out, however, that the forged scrip - 110,000 certificates in denominations of 30,000, 35,000 and 40,000 shares - was untradeable in the form sold to the FBI.

Jardine's shares are tradeable only in lots of 400 shares. Anyone trying to sell the forgeries through the stock market would have had to present them to the company's registrar for conversion. They would then have been rejected, Mr McNamara said.

Relations herald 'beginning of the end of the cold war in East Asia' Seoul hails new ties with Beijing

By Our Foreign Staff

PRESIDENT Roh Tae-woo of South Korea yesterday hailed the normalisation of relations between his country and China, saying it had removed the last external constraint on peaceful reunification of the Korean peninsula.

"The normalisation of ties between our two countries marks a significant turning point in world history in that it heralds the beginning of the end of the cold war in East Asia," Roh said in a televised speech in Seoul.

Establishment of diplomatic relations, long expected but formalised in a signing ceremony in Beijing yesterday, is a

considerable coup for both countries and a setback for their respective rivals, Taiwan and North Korea.

It will further enhance China's influence in Asia at a time of changing political relationships in the region and should boost already growing trade and investment links. Although Beijing insisted yesterday that its relations with North Korea would remain unchanged, the move will inevitably raise pressure on Pyongyang to be more accommodative in dealings with Seoul.

North Korea has not commented on the news that its chief backer has consummated a relationship with the south. But an early test of its reaction

could come later this week in scheduled talks between the two countries at the border village of Panmunjom.

Liaison Muddle writes from Taipei: Taiwan yesterday broke off diplomatic relations with South Korea and is to take retaliatory measures following the normalisation of relations between Seoul and Beijing.

Mr Frederick Chien, foreign minister, called the move "extremely unfriendly", and said Seoul had forgotten the tens of thousands of South Koreans killed by Chinese troops in the Korean war.

Meanwhile, a handful of protesters gathered outside the South Korean embassy in

Taipei at the weekend, burning a Korean flag and hurling eggs and stones at the buildings.

South Korea was the last Asian nation formally to recognise the Taipei Nationalist Kuomintang government as legitimate rulers of China. All but a handful of countries have now switched recognition to Beijing, which in turn opposes dual recognition.

Preferential import tariffs and quotas on South Korean goods will be abolished, and direct flights between the two suspended from September 15. However, a delegation from Seoul due in Taiwan in early September is expected to discuss a framework for unofficial ties to be set up.

S Korea unveils stock market aid measures

SOUTH KOREA yesterday unveiled long-awaited measures to boost the ailing stock market, but analysts predicted the multi-billion-dollar rescue plan would give plummeting prices only a short-term fillip. Reuters reports from Seoul.

Prices soared temporarily when Rhee Yong-man, the finance minister, announced the plan to inject more than three trillion (million million) won (\$3.8bn) into the bourse.

But the stock market index settled only a few points above the morning opening level and closed just 12.12 up at 493.73.

The government has taken these measures because the market has been languishing in the doldrums for a long time and investor sentiment has shrunk hugely, Rhee said.

The measures include attempts to lower money market rates and provision of tax incentives to investors. Banks and insurance compa-

nies will be required to buy stocks worth 1.5 trillion won and 700bn won respectively over the next six months. The government will also encourage pension funds to buy stocks worth 1.2 trillion won over the next 12 months.

The Korea Securities Stabilisation Fund, set up in May 1990 to revitalise the market, will also be encouraged to raise 500bn won for stock-buying.

Investors have been anticipating for several weeks a gov-

ernment bail-out of the bourse, now at its lowest for nearly five years.

The bourse index, which peaked at 1,077.77 in April 1989, has dropped by about one-third of its value since the beginning of the year.

"The market is unlikely to be boosted immediately. Investors are accustomed to shock remedies rather than a medium- or long-term cure," a Seoul securities analyst said. See World Stock Markets Page

Kabul exodus grows as rockets pound city

By Farhan Bokhari in Islamabad

KABUL continued to be pounded by rockets yesterday as fighters loyal to dissident mujahideen leader Gulbuddin Hekmatyar continued their assault on the Afghan capital.

A grain silo was reported hit and set on fire in the attack, raising fears that the city's food shortage could become worse.

Western diplomats were among hundreds of people trying to flee to safe areas in the Afghan countryside. More than 100,000 people have left Kabul since the dissidents began unleashing

continual rocket attacks two weeks ago. French and Italian diplomats and the Bulgarian ambassador, who was injured by shrapnel when a rocket hit his embassy at the weekend, left for Tarmez on the Uzbekistan border.

The International Committee of the Red Cross (ICRC) handed overall responsibility for its surgical hospital to the Afghan Health Ministry yesterday, according to news agency reports. But Mr Armin Eric Kobel, the local Red Cross chief, said the ICRC would keep 21 international staff in Kabul.

All 17 hospitals in Kabul have been hit by the fighting and there is an acute

shortage of medicines. Only eight of Kabul's 17 hospitals are functioning, according to United Nations officials.

The UN has moved all its international staff out of Kabul because of the dangers.

The UN, meanwhile, is finalising a \$10m international appeal for humanitarian assistance for Afghanistan. But western diplomats are concerned that donors may hold back from making commitments until the situation has stabilised.

There was an unenthusiastic international response to an appeal in recent months for \$180m for rehabilitation and

reconstruction of Afghanistan. So far, only \$40m has been pledged.

The UN secretary-general's personal representative on Afghanistan, Mr Sotirios Mousouris, said in an interview last night: "It is very unfortunate that when hope finally seemed to come to Afghanistan, this conflict makes the efforts of the international community very difficult."

The dissident mujahideen launched their assault to back their demands for the withdrawal and disarming of a militia group that switched allegiance from former President Najibullah to the mujahideen last April.

Bush's China trade policy a sure winner

By Nancy Dunne
in Washington

THE new hardening of US trade policy towards China is a sure winner for President George Bush. As Mrs Carla Hills, US trade representative, made clear last week, either China caves in by October 10 and agrees to US demands that it should open its markets, or Mr Bush will announce billions of dollars in sanctions.

If China does yield to US pressure, the president will have another foreign economic policy success. If not, Mr Bush can prove that he is no longer rolling over to the communist superpower as he did in the days after the Tiananmen Square pro-democracy demonstrations were suppressed.

How tough the sanctions will be must still be seen. The American Textile Manufacturers Institute is convinced the administration was "pulling its punches" when last week it released a \$3.9bn (2.5bn) proposed "hit list" of possible sanctions targets.

The list had been drawn up in response to industry comment from all sectors as the trade representative had requested. Honey made the list, as the American Honey Producers' Association had asked, as did bicycles and other targets suggested by their industry associations, but textiles and apparel were barely represented, though both have been severely hit over the years by Chinese competition.

"We never received any good reasons why we were turned down," said Mr Carlos Moore, executive director of the American Textile Institute. "They claimed the consumer would be hurt because it would create short supply, but we took care to ask for products which could have substitutes readily available."

Instead, the list included only silk, or apparel with a silk component (items for which demand exists all over the



Carla Hills: A list in response to industry comment from all sectors

world), Mr Moore said. The other items on the list are now more easily transhipped through third countries, because the US Customs Service has focused most of its efforts on textiles and clothing. In an election campaign, one of the advantages of being an incumbent president is the ability to control timing, Mr Harry Freeman, a prominent trade lobbyist, said.

It was no coincidence that the North American Free Trade Agreement between the US, Canada and Mexico was announced the week before the Republican convention. An administration press aide confirmed the White House had had the NAFTA press conference scheduled during a window of opportunity in the president's schedule, even before the negotiations were completed.

The administration had promised a worker adjustment programme would be included in NAFTA legislation, but a few weeks ago it had only begun to gather opinions about its shape. Yesterday, however, Mr Bush announced a grand restructuring of worker training schemes, a move he could have made months ago except there was no political campaign to drive events.

EC copier makers still fighting Japan

To end dumping duties would be seen as a blow to business, Michio Nakamoto writes

THE European Commission's decision to review its 20 per cent anti-dumping duty on Japanese copier imports highlights the depressing reality that after five years of protection, European manufacturers are still struggling in the face of Japanese competition.

The Commission has announced it has opened a formal investigation into Japanese copier imports, after complaints from European manufacturers that the 20 per cent anti-dumping duties imposed in 1987 had not achieved intended objectives.

The European makers, Rank Xerox, Océ of the Netherlands, and Olivetti, claim further that if the duties were allowed to lapse this year as scheduled, it would injure their business. "We have not seen the improvement in profitability in our copier business that we should have seen as a result of the anti-dumping duties," says Mr David Whitley, senior legal counsel at Rank Xerox, the US-UK company.

The photocopy duties were imposed five years ago after the Commission found that Japanese copier manufacturers were dumping products in the EC - that is, selling them at prices lower than those in their domestic market.

The duties were to lapse automatically after a period of five years which ended this Febru-

ary. Over that period, however, the duties were supposed to have raised the prices of Japanese copiers sold in Europe. This, in turn, was to have improved the competitiveness of European manufacturers by raising their profitability, plant capacity utilisation and market share.

Instead, the main effect of the anti-dumping duties was to quicken the pace of Japanese investment in facilities in Europe and reduce imports from Ecubia (£720m) to Ecus500m. Prices meanwhile have stayed level or even declined and "consumers are continuing to enjoy a price 'honeymoon'," says Mr Whitley. Rank Xerox points out that the price of one particular Japanese-made machine sold in Germany has fallen from DM3,600 (£1,276) in 1988 to DM3,480 for this year's model.

These price levels show that the Japanese have been bearing the extra amount of the duty and have in effect continued to dump products, the Europeans say. Rank Xerox says that because of the artificially low price levels set by the Japanese, it has not been able to obtain a reasonable rate of return on sales, which the Commission considers is about 12 per cent for the photocopier industry.

It further blames the low prices for its inability to increase market share. Fur-

thermore, Rank Xerox itself has maintained its market share, running at 11 per cent, according to Dataquest, the high-technology consultancy, but the aggregate market share for European manufacturers has declined.

This is not surprising, as the number of European manufacturers of photocopiers has fallen from five when the duties were imposed to just three. The other two have been acquired by the Japanese.

Canon says it has been able to maintain the largest market share in Europe without necessarily having the lowest prices. The Japanese feel that the Europeans are also responsible for their lack of competitiveness. Rank Xerox and Océ have concentrated their efforts on higher-end machines and neglected the lower end of the market, one Japanese manufacturer says. "It is no surprise that they cannot compete in that sector."

As a result of that strategy, Rank and Océ dominate the higher end of the market, where profit margins are

"We have not seen the improvement in profitability in our copier business that we should have seen as a result of the anti-dumping duties," says the senior legal counsel at Rank Xerox

Meanwhile, European dependence on Japanese manufacturers has increased. Olivetti manufactures copiers through a joint venture with Canon; this relationship has led the Commission to exclude it from its list of Europeans that would suffer from removal of the anti-dumping duties.

In addition, the Commission is also considering extending the duties to higher-end machines able to copy 75 or more pages a minute which had been exempted from the original action because they were not made by Japanese

manufacturers at the time. However, the Japanese have now entered this market, which had previously been the preserve of Rank Xerox and Océ.

Canon says it has been able to maintain the largest market share in Europe without necessarily having the lowest prices. The Japanese feel that the Europeans are also responsible for their lack of competitiveness. Rank Xerox and Océ have concentrated their efforts on higher-end machines and neglected the lower end of the market, one Japanese manufacturer says. "It is no surprise that they cannot compete in that sector."

As a result of that strategy, Rank and Océ dominate the higher end of the market, where profit margins are

Japanese beers target US

JAPANESE beer makers hope to boost their market shares in the US, Europe and Asia, Reuters reports from Tokyo. At present, Japanese exports account for only a small fraction of the brew drunk around the world.

Japan's four biggest brewers, Kirin, Asahi, Sapporo and Suntory, export about 30,000 kilolitres of beer each year, but world beer consumption is well over 100m kilolitres.

At the top of the Japan brewers' list of targets is the US. Imported beer accounted for some 4.5 per cent of the 22.7m kilolitres Americans drank in 1990. Imports are about 2 per cent of the 6.6m-kilolitre Japan

market. Sapporo is leading the way in the US market, aiming at sales of 1.5m cases in 1992, against 1.4m in 1991, Mr Kenzo Sakami, general manager, said. Asahi aims to increase its US beer sales to 850,000 cases in 1993 from 700,000 cases a year earlier. Each case holds 12 bottles of 0.633 litres.

Kirin and Suntory have made a link-up with Canadian brewers. Molson, based in Montreal, is now brewing Kirin beer for export to the US, where Kirin expects to sell some 1.3m cases in 1992. The Toronto-based John Labatt brewery started making Suntory's canned draught beer in February, and Suntory aims to

sell 200,000 cases in the first year in the US.

Japanese brewers are also eyeing the potentially lucrative European market. Kirin is trying to strengthen its sales in Europe through a tie-up with Britain's Charles Wells, which will make Kirin lager at its factory in Bedford, starting in February 1993.

Charles Wells plans to brew 150,000 cases of Kirin in the first year and 300,000 cases a year by 1996.

The Japanese companies are also keen to expand in Asian countries such as Hong Kong, Taiwan and Singapore, which have low import duties on beer.

Bulgarian airline aims to have foreign partners

By Daniel Green

BALKAN Bulgarian Airlines, the Bulgarian national airline, is seeking foreign partners as part of its privatisation.

The UK-based financial adviser S G Warburg is preparing a prospectus on the company and will be seeking airline partners within six weeks. Warburg said it hopes to have found potential partners by late 1992 or early 1993.

Balkan Bulgarian Airlines has nine western-built aircraft, consisting of five Boeing and four Airbus. It also has a fleet of 51 aircraft from the for-

mer Soviet Union. In 1991 it employed 4,000 people and had revenues of about \$170m (\$28m), S G Warburg said.

The airline was given national carrier status by the Bulgarian Council of Ministers on August 10. This gave it a 15-year franchise as the sole Bulgarian-based carrier to travel to 53 specified international destinations in Europe, Africa, the Middle East and the Far East. S G Warburg said the Bulgarian government would retain a stake in the new enterprise, though it was not clear if this would be a controlling holding.

Turkey agrees power plant deal

By John Murray Brown
in Ankara

TURKEY has agreed terms for a build-operate-and-transfer (BOT) coal-fired power plant, under a deal signed with a US consortium led by Trinity Partners International of Pennsylvania.

The privately-financed 237MW plant at Cankiri Orta, 130 miles from Ankara, is estimated to cost \$500m (\$280m) including developing a nearby 100m tonne coal deposit.

Trinity Partners, with Pagro Power Allstern, will build and run the plant for 26 years under the BOT arrangement before handing over to Tek, the Turkish power utility.

The project, the first big infrastructure deal agreed by the government of Mr Suleyman Demirel, will encourage investors trying to get BOT proposals started.

Ankara is studying a similar arrangement for its city Metro. Lockheed has been negotiating a BOT proposal for Istanbul airport for two years. Thames Water, in a consortium with the local Gama group, is seeking agreement with Istanbul's water authority to take water from a proposed dam and pipeline project at Izmit.

The Trinity consortium will use Allstern's fluidised bed technology, employing low calorific lignite coal without the extra investment of emission scrubbers. The company says the design, well tried under US environmental conditions, meets World Bank and Turkish emission standards.

The consortium has been given until December 1993 to arrange finance. Hambros Resource Development Incorporated in Chicago is lead bank. Equity will account for 20 per cent, the rest raised in loans. The company is looking to the International Finance Corporation, the World Bank's private-sector lending arm, to take an equity role.

It will recover its loan costs by selling power to Tek at pre-arranged prices.

Treuhandanstalt

(The government agency privatising eastern Germany property)

Tender for the sale of

AGRICULTURE and PROCESSING

plants in Eastern Germany

Object no., name, place (in brackets: brief description)

Agricultural Plants

Plants of Mürzfeld GmbH, Hohen-Wangelin, Mecklenburg-Vorpommern

(LV-1) Cowshed facility
O-2061 Linstow
(3 free running and 4 tether sheds, approx. 270 ha agricultural area; possible use: dairy cattle)

(LV-2) Cowshed facility
O-2061 Alt-Gaarz
(1 free running and 1 tether shed, approx. 180 ha agricultural area; possible use: dairy cattle)

(LV-3) Cowshed facility
O-2061 Neu-Sapslagen
(1 cow fattening shed, approx. 240 ha agricultural area, approx. 90 ha of these are grassland; possible use: cows and/or horses, tourism)

(LV-4) Pig breeding and pig fattening facility
O-2061 Blücherhof
(Approx. 200 sow spaces, approx. 120 ha agricultural area; possible use: pig breeding and pig fattening)

(LV-5) Pig breeding and pig fattening facility
O-2061 Alt-Gaarz
(Approx. 450 sow spaces, approx. 280 ha agricultural area; possible use: pig breeding and pig fattening)

(LV-6) Cowshed facility
O-2061 Groß Rehberg
(1 tether shed, approx. 70 ha agricultural area; possible use: animal husbandry)

(LV-7) Cowshed facility
O-2061 Hohen-Wangelin
(3 free running and 2 tether sheds, 1 equipment room; possible use: agriculture or industry)

(LV-8) Cowshed facility
O-2061 Klocksin
(1 free running and 2 tether sheds; possible use: agriculture or industry)

(LV-9) Pigsty facility
O-2061 Vollrathshaus
(9 stable buildings for young pigs and young sows; possible use: animal husbandry)

Plants of Thüringer Geflügelhof GmbH, Thüringen

(LV-10) Chicken-fattening facility
O-6532 Bad Klosterlausnitz
(3 lightweight construction buildings of 1,000 sqm area each, total of 2.2 ha; possible use: industry)

(LV-11) Built-up property
O-6541 Bobeck
(2-story administration building, several company buildings and warehouses, total of 1.6 ha; possible use: industry)

(LV-12) Built-up property
O-6521 Serba
(Former breeding house, approx. 3,000 sqm on approx. 1.5 ha area; possible use: industry)

Shut-down grain mills

(LV-13) Lychen mill of the Mühlenwerke Neubrandenburg GmbH
O-2093 Lychen / Brandenburg
(Area 5,248 sqm / without water rights)

Mills of Bernburger Saalmühlen GmbH, Sachsen-Anhalt

(LV-14) Bad Kösen mill
O-4803 Bad Kösen
(Area 10,625 sqm / with water rights)

(LV-15) Roßla mill
O-4710 Roßla
(Area 9,530 sqm / without water rights)

(LV-16) Saizmünde mill
O-4104 Saizmünde
(Area 4,926 sqm / without water rights)

(LV-17) Weißenfels mill
O-4850 Weißenfels
(Area 23,212 sqm / with water rights)

(LV-18) Wettin mill
O-4114 Wettin
(Area 5,951 sqm / with water rights)

Cold storage facilities

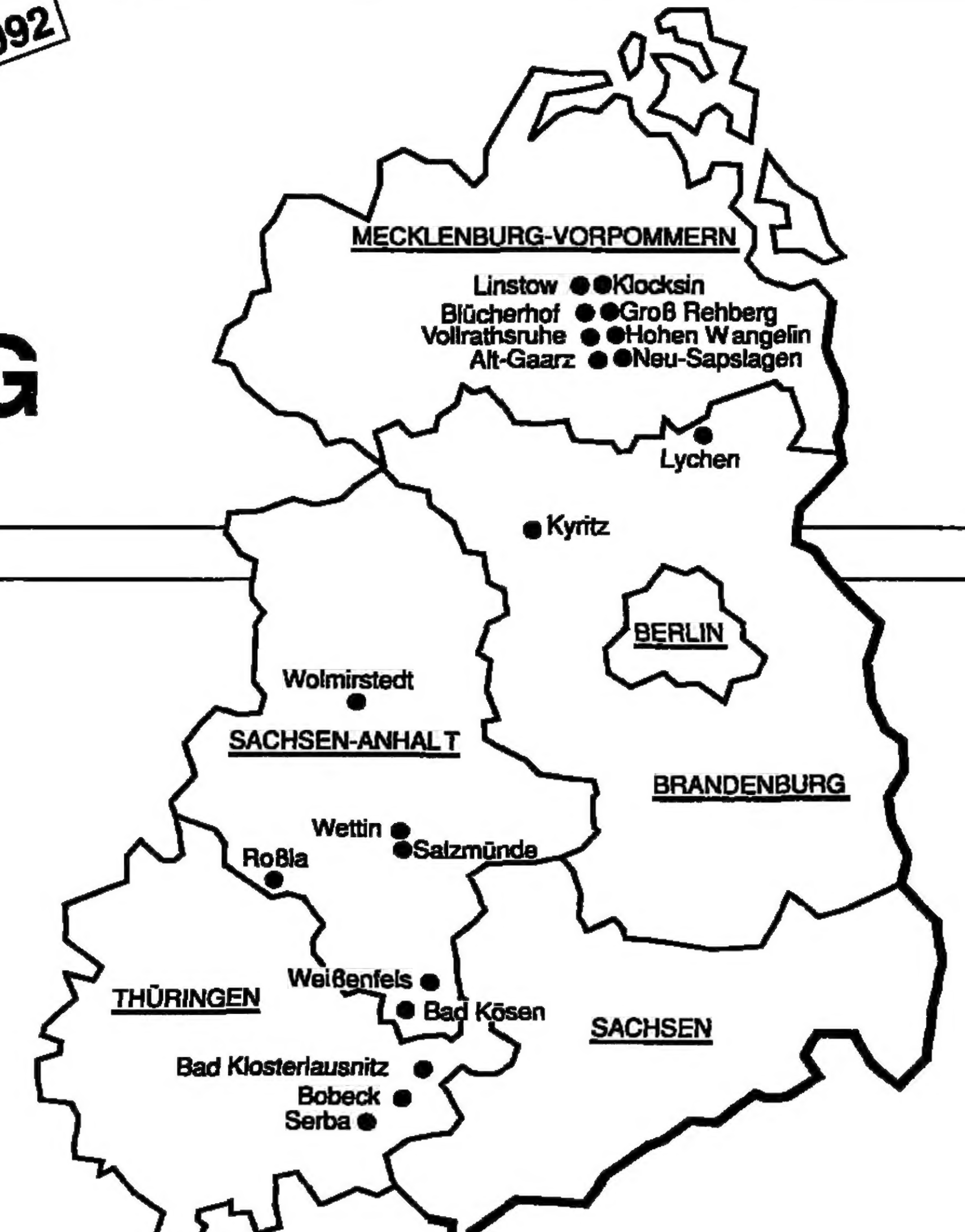
(LV-19) Wolmirstedt cold storage facility of the Kühlhaus GmbH Magdeburg-Brandenburg
O-3210 Wolmirstedt / Sachsen-Anhalt
(Flat cold storage facility, workshop and warehouse; property area 59 ha; possible use: cold storage facility, warehouse)

(LV-20) Kyritz flat cold storage facility of the Kühlhaus GmbH Magdeburg-Brandenburg
O-1910 Kyritz / Brandenburg
(Flat cold storage facility, social and administration building; property area 73 ha; possible use: cold storage facility, warehouse)

(LV-21) Industrial property of works VII of the Berliner Kühlhaus GmbH
O-1170 Berlin-Köpenick
(Former production facilities for egg powder, administration building, close to lake, approx. 5.5 ha; possible use: industry, artisans, services)

(LV-22) Industrial property of works III of the Berliner Kühlhaus GmbH
O-1040 Berlin-Mitte
(Processing facility for meat products, residence, at the Spandau waterway, approx. 5 ha; possible use: cold storage facility, warehouse)

(LV-23) Built-up property of the Berliner Kühlhaus GmbH
O-1020 Berlin-Mitte
(1-story cold storage facility, rented residence, property size: 11,380 sqm; possible use: industry, housing development)



Tender Conditions

- In accordance with its legal mandate, the Treuhandanstalt intends to sell the aforementioned objects by means of a tender.
- These objects are sold as assets. Bids must therefore be for total assets (real estate, building and equipment where appropriate).
- Anyone is entitled to bid.
- In deciding among the bids, the Treuhandanstalt will take into consideration, among other things, the bid price, the business or reconstruction plan submitted, promises to maintain or create jobs, and pledges to invest, each of which will be considered part of the bid.
- Interested parties are requested to perform their own research about the offered objects and can obtain further information without charge from the Central Tender Office of the Treuhandanstalt. The Treuhandanstalt is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written authorization from the Central Tender Office to visit the properties.
- Bids are to be submitted in a sealed envelope marked only with the name of the object, for which the bid is submitted.
- Bids must be received at the Treuhandanstalt, Leipziger Str. 5-7, O-1080 Berlin, Germany, no later than 2 p.m. (local time), on October 1st, 1992 (the "closing date"). They will be opened immediately thereafter in the presence of a notary public. Bids must be in Deutsche Mark and shall remain valid for ninety (90) days after the closing date.
- Bids must be accompanied by a bond of five (5) percent of the bid value in the form of an irrevocable bank guarantee valid for ninety (90) days after the closing date. This bid bond will be forfeited if the bidder either fails to hold his bid open during the required period or refuses to sign a contract in accordance with its bid.
- The Treuhandanstalt will decide on the bids within ninety (90) days after the closing date. The Treuhandanstalt is not bound to accept any bid and may accept a bid other than the highest.
- To the extent that a previous owner has submitted a claim seeking return (in whole or in part) of an object, a sale will require either the approval of the claimant and/or a certificate of investment preference according to the respective law (InvVorg).

Office hours for the Central Tender Office of the Treuhandanstalt are Monday through Friday from 9 a.m. until 4 p.m. (local time).

For further free information (object profiles, visit authorization, etc.) please contact:

Treuhandanstalt • Central Tender Office • Leipziger Str. 5-7 • D-1080 Berlin

Tel. +49-30-31542763
Fax +49-30-31542653
Telex 305141 thaz d

NEWS: UK

Investors could get refunds on life policies

By Norma Cohen

TWO life assurance companies may have to refund money to policyholders who bought products based on what has been found to be misleading advertising, the industry regulator Lantao said yesterday.

After reviewing advertising for single premium with-profit bonds, Lantao said it had ordered 13 companies - more than half of the 23 which sell the product - to withdraw some advertising. Of the 13, two were told to clarify the bond's characteristics.

The bonds offer a fixed rate for a fixed term, typically 10 years, but with conditions.

Investors who wish to withdraw funds early may face charges. Insurers also have the option of applying a market value adjustment factor which may reduce the interest rate if investment returns fall.

When it announced the review of the single premium bonds in April, Lantao said clients who claimed - after receiving clarification - that they bought the product under misleading circumstances might be eligible for refunds.

According to the Association of British Insurers, with-profit bonds made up the biggest share of the £3.06bn in non-linked single-premium business sold by insurers last year.

CURRENT ACCOUNT DEFICIT

Trade gap widens as imports rise sharply

By Emma Tucker, Economics Staff

THE UK's trade gap widened in July as the recession failed to stem the growth in imports. A sharp rise in imports outstripped flat exports, causing the visible trade deficit to grow by almost £200m from £947m in June to £1.1bn last month.

The current account deficit, which includes a projected £200m surplus on "invisible" goods, such as banking, and transfer payments, grew from £747m to £934m.

In the three months to the end of July the visible trade deficit narrowed slightly to £2.9bn compared with £3.3bn in the previous three months. However, this mainly reflected a bigger surplus on erratic items such as ships, North Sea installations and precious stones which rose to £538m from £5m in the same period.

The UK's surplus on erratic items grew because of unusually low aircraft imports.

Trade in oil was in balance compared with a surplus of £74m in June.

The underlying deficit, which excludes oil and erratics, was almost unchanged at £3.7bn in the three months to the end of July.

Although consumer confidence remains weak and retail sales have been flat since the general election in April, import growth means the UK has been unable to close its



Trading places: a foreign exchange dealer at National Westminster Bank contemplates yesterday's poor current account figures

trade deficit with the rest of the world.

In the three months to the end of July, the value of imports grew by 5 per cent compared with the same period a year ago, against exports which were only 1.5 per cent higher.

A breakdown of the UK's

overseas trade suggests that slower economic growth in other European Community countries is the main hindrance to higher export sales.

The value of exports to the EC fell by 0.5 per cent in the three months to July compared with the previous three months.

Exports to the US were also flat but exports to east Europe and the former Soviet Union continued to flourish. They grew by 42 per cent in the three months to the end of July compared with the previous three months.

In spite of the weak dollar, imports from the US fell by 12

per cent, a marked reversal from the strong growth in US imports registered at the beginning of the year.

Exports of cars fell by 3 per cent in the latest three months while imports grew by 7 per cent over the same period. Exports of capital goods grew by 3.5 per cent, but exports of

chemicals fell by 1.5 per cent.

Mr Robin Cook, the opposition Labour party's trade and industry spokesman, said the rise in imports was further evidence that the government's economic policies were failing British industry.

"Only halfway through 1992 Britain has clocked up a deficit larger than the whole of last year. We are now adding £1m to the trade deficit every hour," he said.

The Treasury said exports continued to perform well in July and that the rise in imports, consistent with economic recovery, was not unexpected.

The Confederation of British Industry also welcomed the "significant increase" in export volumes over the past year in spite of the difficult conditions in the UK's main overseas markets, but said import volumes remained well above last year's levels.

Mr Norman Willis, general secretary of the Trades Union Congress - the umbrella organisation for most UK unions, called for early discussions between Mr Michael Heseltine, trade and industry secretary, and unions and employers to improve Britain's trade balance.

"The government's economic policy is in tatters. A monthly deficit of over £900m when the economy is in the greatest slump since the 1930s is scandalous," said Mr Willis.

Weak US dollar may worsen UK recession

By Our Industrial Staff

LEADING industrialists in Britain yesterday voiced fears that a weak dollar could worsen the UK recession if sterling maintained a \$2 level on international markets.

Mr Martin Taylor, chief executive of Courtaulds Textiles, said the fall in the dollar would cost his company several million pounds a year. "The European currency bloc is ridiculously overvalued," he said.

Jaguar, which last year had 44 per cent of its sales in the US, called the dollar rate preposterous. Mr David Boole, director of public affairs, said "for Jaguar as an operating unit the exchange rate is a disaster. It is still the problem of making cars in pounds and selling them in dollars."

Mr Peter Bates, sales and marketing director of the Savoy hotel group, said: "It is very expensive for an American to come here at the moment." The number of American guests, who account for half the group's customers, has fallen by 10 per cent.

Other companies, however, were less worried. The motor component maker T&N said the dollar rate was "not much of a problem in real terms."

The electronics group GEC, which has extensive operations in the US, said the strength of sterling would be marginally more negative than positive.

Aerospace company Smiths Industries, which has plants in the US and UK, said the currency change was a factor in deciding where to locate new production. But Mr Christopher Taylor, finance director, said "sales into dollar economies which are being delivered now were sold at much better than the present rate. And the forward rate over 2 years for new deals is more like \$1.80."

Mr Taylor also pointed out that the group hedged its dollar exposure. However, Mr Martin Taylor of Courtaulds Textiles said this did not apply in Courtaulds case. "You can't hedge economic disadvantage," he said. "Imports come in from countries with a dollar cost base like the Far East. It isn't about exports, it's about import competition."

Computer manufacturers said the impact of the falling dollar was broadly neutral. Most computer components, microprocessors, disk drives and power supplies - are bought in dollars.

Some other companies said that conditions were already so bad in the US market that the dollar's weakness made little difference. One UK group with housebuilding and aggregates interests in the US said yesterday: "It would be nice to have enough US profits to be adversely affected by currency movements."

National Institute of Economic and Social Research

Think tank urges £2bn aid package for economy

By Peter Marsh, Economics Staff

THE Treasury should consider injecting £2bn into the economy to lift output and employment over the next year, the National Institute of Economic and Social Research says in its quarterly review published yesterday.

This call from one of Britain's leading economic think tanks will increase pressure on Mr Norman Lamont, the chancellor of the exchequer, to use government measures to aid recovery.

The institute says policies such as increased public-sector spending or a temporary cut in Value Added Tax could help prevent a "protracted recession."

The institute supports Mr Lamont's refusal to consider a devaluation of sterling in the European exchange rate mechanism (ERM), a measure some government critics believe would permit a large cut in interest rates.

"We do not accept the argument that recovery is possible

only if interest rates are cut sharply, or only if the pound is devalued," the institute says.

Economic measures suggested by the institute include loans to housing associations and other property groups to increase the supply of rented homes, and deferral of tax payments by companies.

The institute says the £2bn injection into the economy this financial year should be countered by moves to tighten fiscal policy by an equivalent amount, during the two succeeding years.

In the absence of such moves, the research body says the outlook is gloomy. On current policies the economy will contract 0.5 per cent this year, after a 2.5 per cent fall last year. Boosting demand through a £2bn fiscal package would increase output by 0.75 of a percentage point this year, the institute adds.

With an imminent reduction in Germany's borrowing rates unlikely, the scope for a cut in the UK's 10 per cent base rates during the rest of the year is "minimal". Export growth will

be constrained by the weak international economy.

Consumer spending will remain depressed, partly because of the fall in personal wealth triggered by reductions in house prices.

As for 1993, the institute expects a modest recovery, with output rising by 1.7 per cent, though unemployment will continue to rise to 3m by the final quarter. Headline inflation as measured by the retail prices index is likely to decline, to 3.6 per cent by the end of this year and 2.8 per cent by the end of 1993.

Over the next year, the outlook for spending by companies may "now be rather brighter" than for spending by consumers, the institute says. Many businesses are benefiting from higher productivity among employees spurred by lower wage inflation, together with a reduction in debts.

National Institute Economic Review, available quarterly from 2 Dean Trench Street, London SW1P 3HE. Annual subscription £70 (UK), £85 (overseas).

'No' to Maastricht could sink ERM

By Peter Marsh, Economics Staff

THE European exchange rate mechanism (ERM) may have to be scrapped if progress towards economic and monetary union (Emu) breaks down, according to the National Institute.

If the moves to achieve monetary union by the end of the century fail, perhaps after a "no" vote in next month's French referendum on Maastricht, serious financial instability could result which would lead to higher inflation and higher interest rates across Europe.

The institute says the arguments for Emu - involving a

single European currency presided over by a single central bank - remain strong in spite of doubts about ratification of the Maastricht treaty by European governments.

It warns: "If the prospect of Emu were to recede into the indefinite future, then [ERM] realignments would become larger and more frequent."

"Continuing with the ERM as it now is cannot be seen as an alternative to Emu... The only lasting alternative to Emu may be a return to floating exchange rates within Europe."

A vote in favour of the Maastricht treaty in the French referendum is a "necessary although not a sufficient

condition for Emu taking place as planned, the institute says.

If Europe were to give up on Emu, signifying an end to the goal of permanently fixed exchange rates across Europe, the outcome would affect individual countries in different ways.

"The outcome [of Emu's abandonment] in each member state would then depend on the priorities and the reputation of national monetary authorities. Even if the form of the [exchange rate mechanism of the] European Monetary System was maintained, the result would probably be higher inflation and higher nominal exchange rates for

most of the member states, including the UK."

The institute points out that, under Emu, pan-European borrowing costs would be set according to economic conditions across the continent. That would be preferable to the arrangements under the ERM, according to which European rates are in practice determined by economic events in Germany alone.

Other arguments for Emu were the reduction in transaction costs across Europe that would follow the introduction of a single currency, and the poor record of many individual European countries in creating stable growth by national economic policies.

UK financial services hold 17% of market

UK FINANCIAL institutions account for 17 per cent of the world market in financial services, the National Institute says, Peter Marsh writes.

Professor Tony Smith, writing in the institute's latest quarterly review, says the British share is second only to that of US institutions, which account for 66.3 per cent of the market. Japanese-owned institutions have 5.1 per cent, with French, Canadian and Swiss groups accounting for 4.2 per cent, 3.2 per cent and 2.1 per cent of

the market respectively.

Prof Smith bases his analysis on fees earned by commercial and merchant banks in 1989, in areas such as foreign exchange dealing, bonds and equities.

Behind the success of UK-owned financial groups, says Prof Smith, is their "inherent efficiency". This factor is "difficult to identify and quantify directly," but has been helped by competitive forces.

Both the UK and the US have "basically open, unprotected domestic financial mar-

kets and a consequent exposure of national financial institutions to untrammelled international competition."

Prof Smith says many financial groups from continental Europe lack these advantages "inasmuch as their operations are for the most part conducted by less suitable universal banking structures."

Rival nations, especially the US, have frequently won substantial shares in UK markets "to the point where in some cases the UK experiences a deficit in supply."

FT CONFERENCES

FT-CITY COURSE

London, 5 October - 23 November

This course is designed for employees in companies with interests in the City to provide a broader understanding of all aspects of the operations of the City of London and the factors that make it a pre-eminent financial and trading centre.

WORLD MOBILE COMMUNICATIONS

London, 12 & 13 October

The Financial Times fifth annual conference on mobile communications will look at growth prospects in world markets and the development of new services. The outlook for PCs, pan-European mobile networks, paging systems and satellite communications will be reviewed as well as networking from a mobile perspective. Speakers include: Mr Terry Parker of GTE Telecommunications Products and Services; Mr J. Shelly Bryan of Millicom Incorporated; Mr Bernard Gillebert of France Telecom; Mr Robert Kircle of Iridium, Inc; Mr Peter Leopold of Deutsche Bundespost Telekom and Mr Rolf Eriksson of Ericsson Business Communications AB.

THE EMERGING EUROPEAN TAX SYSTEM

London, 4 & 5 November

Mr H Onno Ruding will give the opening address to this Financial Times conference which will address the issues raised by the Ruding Report, the problems it has uncovered and the implications of the European tax system for the future.

DOING BUSINESS WITH RUSSIA

Moscow, 11 & 12 November

This practical forum will address the business opportunities and how to set about them in the new Russia. The opening address will be given by Mr Yegor Gaidar, Acting Prime Minister of the Russian Federation, and speakers include: Mr Viktor Geraschenko, Acting Chairman of the Central Bank of the Russian Federation; Mr Anatoly Chubais, Vice Premier of the Russian Federation and Chairman of the State Committee for the Management of State Property; Mr Arkady Volynsky, President of the Russian Union of Industrialists and Entrepreneurs; Mr Sergei Konichev, Chairman of the Organizational Committee for the Creation of a Development and Project Finance Bank; Mr Mikhail Khodorovskiy, MENATEP Financial Group International; Mr G. Labbe, Anglo-Suisse LP and Mr Nikolai Belov of Karmaz Inc.

WORLD TELECOMMUNICATIONS

London, 1 & 2 December

The Financial Times annual conference will focus on the trends changing the shape of the world telecommunications industry - deregulation, privatisation and globalisation. Finding the finance for the massive investments in telecommunications infrastructure in the developing world and in Eastern European countries will be examined. Speakers include Mr Alfred Siles of the Federal Communications Commission; Mr Randall Tobias of AT&T; Mr Eugene Eldenberg of MCI Communications Corporation; Mr Bill Wigglesworth of OFTEL, and Mr Peter Darbee of Goldman Sachs.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071-251 9521 (24 hr answering service) Telex: 2747 FTCONF G. Fax: 071-251 4986.

Britain in brief



Healthcare spending to top £40bn

Total healthcare expenditure in the UK will top £40bn this year, around £640 per person, according to the Office of Health Economics, the research unit funded by the British pharmaceutical industry.

Per capita health spending has almost doubled in real terms since 1973, rising from 4.5 per cent of GDP to an all-time high of 6.5 per cent. The growth in the private health sector has been particularly marked, with expenditure on private health care rising three times as fast as spending on the national health service (NHS).

The UK continues to lag behind other major industrialised countries in the level of its health expenditure. The average for members of the Organisation of Economic Co-operation and Development (OECD) is 9.0 per cent of GDP, with countries such as France and Germany spending a quarter more per person than the UK.

BBC cutbacks condemned

The government is forcing changes on British television which threaten to destroy both the BBC and ITV as sources of high quality programmes, according to Sir David Atten-

Shirayama wins legal review

The government will have to defend in the High Court its controversial decision to allow the London School of Economics to bid for County Hall, the landmark London site opposite the Houses of Parliament.

The High Court gave the Shirayama Corporation, the Japanese developer which bought County Hall in March, the right to seek judicial review of the decision last month by Mr Michael Howard, the environment secretary, to allow the social science university to mount a counter bid for the site.

That decision angered Shirayama, which believed an "opt out" clause in its purchase agreement with the London Residuary Body, the former owner of the site on behalf of the London boroughs, would only be exercised in the event of a Labour victory in the general election in April.

Water groups face regulation

Mr Ian Byatt, director general of water supply, has acted to ensure that water companies could not use funds from their core water businesses to subsidise other businesses.

Using new powers available to him following the publication of the Competition and Services (Utilities) Act in July, Mr Byatt published proposed amendments to water companies' operating licences designed to give him greater control over their non-regulated businesses.

Since they were privatised in 1989, water companies have diversified into different fields including environmental and engineering services, waste management, and even hotel management in an effort to maximise their earnings from businesses that are not regulated by Ofwat, the industry regulator.

The proposals include a direct ban on cross-subsidies between water companies and their associated companies, or between their water businesses and other businesses.

LibDems plan party review

The Liberal Democrats are to carry out a wide-ranging review of the party's identity, philosophy and strategy at next month's party conference, which could mean a reappraisal of their attitude towards a possible pact with the Labour party.

Mr Charles Kennedy, the party's president, said: "The party will consider whether we still hold out replacing Labour as an objective - short or long term - and, if not, what implications does that have for our political stance now."

The debate will be spread over most of the Harrogate conference. It will begin with a relatively informal consultative session on the first after-



Pakistan batsman Asim Sohail takes a run after sending the ball past England bowler Dominic Cork during the fifth Texaco Trophy match. England won by six wickets, taking the series 4-1.

Three bailed in Eagle Star case

Three men have been committed to the Old Bailey for trial in connection with an alleged fraud on Eagle Star insurance company.

Mr Peter Rumball, a stockbroker with Manson House Securities, and Mr William Butler each face a charge of conspiring with persons unknown to defraud Eagle Star of £5,488,235 by the fraudulent negotiation of a stolen share certificate representing 499,581 ICJ shares.

Mr Anthony Lovell Phillips is charged with dishonestly having a stolen ICJ share certificate to the value of £5,500,000 that, knowing or believing it to be stolen, he dishonestly undertook or assisted in its retention, removal, disposal or realisation.

All three men were committed on bail by City of London magistrates.

Businessman denies fraud

A businessman trying to shake off financial ruin, stonewalled the Lancashire town's bid for City Challenge government funding, was one of four men killed when their light aircraft crashed at the weekend on the Scottish island of Jura.

Mr Robert Watts, the owner and pilot of the aircraft, was founder and former managing director of Pressport Manufacturing in Blackburn. Under his chairmanship, Blackburn Partnership had won City Challenge funds of £27.5m.

Executive dies in air crash

The chairman of the Blackburn Partnership, which organised the Lancashire town's bid for City Challenge government funding, was one of four men killed when their light aircraft crashed at the weekend on the Scottish island of Jura.

Mr Robert Watts, the owner and pilot of the aircraft, was founder and former managing director of Pressport Manufacturing in Blackburn. Under his chairmanship, Blackburn Partnership had won City Challenge funds of £27.5m.

Training managers is the key to improving employee skills, writes **Lisa Wood**

Executive dies
in air crash

BUSINESSES FOR SALE

Touche
Ross**Miles (Kent) Holdings Limited**
Miles (Kent) Limited
Fine (Kent) Homes Limited
(In Administrative Receivership)

The Joint Administrative Receivers, R. A. Powdrill and N. G. Atkinson, offer for sale the business and assets of the following established construction company and property development companies based in Kent.

Miles (Kent) Limited

Annual turnover of £3 million.
Work in progress of approximately £200,000.
27 full time employees.
Large customer list including local Councils and Housing Associations.

Miles (Kent) Holdings Limited

Partially complete high quality residential development in Sarre.
Three vacant sites in the Margate area.
Plant and Equipment.
Leased premises including fully equipped carpenters workshop.

Fine (Kent) Homes Limited

Three recently completed high quality residential houses in Upstreet.
Two storey, four bedroom house near Broadstairs.

For further information, please contact Hugo Green at the address below.

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Tel: 071 936 3000. Fax: 071 480 6881.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Detailed
Financial
InformationTouche
Ross**De Vere Limited**
(In Administrative Receivership)

The Joint Administrative Receivers offer for sale, in whole or in part, the goodwill and assets of a well established manufacturer of professional photographic enlargers and distributor of other photographic equipment operating from freehold premises in Barnstable and Croydon.

Principal features are:

- 1) 28,000 sq ft freehold manufacturing factory in Barnstable.
- 2) Skilled and experienced workforce.
- 3) Established designs and associated intellectual property rights.
- 4) Annual turnover in excess of £4m.
- 5) Order book of approx £500,000.
- 6) 17,500 sq ft freehold distribution warehouse at Croydon.
- 7) Established North American distribution network.

For further information, please contact Roger Pearce or David Bird, the Joint Administrative Receiver, Touche Ross Corporate Special Services at the address below.

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Glasgow Exhibitions/Mary Rose Beaumont

Life, near-death, sin and wickedness

THE ART-Gallery and Museum, Kelvingrove, Glasgow, celebrates John Bellany's 50th birthday with a sumptuous exhibition entitled "A Long Night's Journey into Day" (until Sunday). Bellany has created his own legend from the time when, as a student at the Edinburgh College of Art, he hung his paintings on the railings outside the Royal Scottish Academy as a protest against the prevailing stuffiness inside. His art and his life are inextricably bound up, and he has acted out his life on the canvas as tamely as did Van Gogh. The work is the man and vice versa.

The exhibition is divided into three parts. The first room consists of 18 oil paintings from the 1970s announcing the themes which have consumed him throughout his life: sin and guilt, stemming from his strict Calvinist upbringing, and man's innate wickedness, with which he was confronted on a visit to Buchenwald in 1967.

In these paintings, Bellany's chief theatre of operation is the bed, upon which birth, sex and death are enacted, usually by surrogates - symbolic creatures nearly all drawn from the sea, reflecting his childhood in the fishing village of Port Seton, Lothian. Lobsters and skates perform unnatural acts with a peculiar joylessness; a dog is ensconced in the lap of a naked woman who sits on a sofa resembling a defunct lump of meat - shades of Francis Bacon. "You're 30 Today, John" is a lugubrious comment on his own ageing, the shrouded figure of the artist supported by a fish and a monkey.

The next room is the kernel of the exhibition. By 1984 he had become seriously ill, though he never ceased painting, sustained by his wife Helen, whose calm strength is celebrated in an iconic portrait of a modern madonna. By 1987 he shows himself holding a watch: time is clearly running out. The following year he underwent a life-saving liver transplant. The watercolours he painted of his post-operative self, oxygen-masked, tubed and stitched, are emotionally raw and profoundly moving.

The third room is all right with optimism. "You're 50 Today, John" epit-



"Spiragrya", 1992, steel and glass, by Tony Cragg

omises the distance travelled in the intervening 20 years. The man is substantial, instead of shrinking, and saturated blues and oranges replace rancid greens and yellows. Bellany affirms his faith in painting as a means of portraying ultimate truths, aligning himself in the tradition of the Old Masters, such as Rembrandt, Titian, Rubens and Delacroix, whom he has never ceased to revere.

He returns in 1992 to his roots in Port Seton, reworking themes first painted in the 1960s of fish gutting and curing, now celebrated in radiant colours. A sardonic sense of humour, and a lively sense of the absurd, redeems the lushness of the imagery from any danger of sentimentality.

Tony Cragg's sculpture is being exhibited at the Centre for Contemporary Arts (ex Third Eye Centre) and at the Tramway. Cragg is probably the most form-inventive sculptor working on the international scene and the scope and variety is admirably demonstrated in the echoing barn-like space of the Tramway.

The earlier pieces are reassuringly familiar - the jostling, wall-mounted crowd scene made from bits of coloured plastic of 1984, the hugely oversized eyeball in cast iron of 1986, the bronze turnip-lantern heads, cast from sugar beets (1987) and the elegant "Minster", a post-modern version of the Towers of

Trebizon, which graced the rooftop-race of the Hayward Gallery in 1987. Thereafter, we are towed along in the wake of his fertile imagination.

Cragg represented Britain at the Venice Biennale in 1988 and won the Turner Prize in the same year; yet the vast majority of his exhibitions have been outside the UK and Glasgow is the only venue for this show. Cragg's declared aim is "the creation of objects that do not exist in the natural or in the functional world, which can reflect and transmit information and feelings about the world and my own existence". Preconceptions as to how we perceive the world about us are thereby overturned.

There is no hierarchy of materials in Cragg's work. He is equally at home in bronze, steel, glass, wood, stone and plastic, but in each case any suggestion of the mimetic is undermined by a certain perversity in the use of that material. "Branching Form" in steel, is like a diagram of blood vessels in three dimensions; "Bodies", in wood and steel, resembles a sea slug heaving itself over an object on the sea bed.

He uses gigantism to make a pyramid of rubber stamps in steel, ironically entitled "Subcommittee", and a Sony Walkman evolves from a three-foot-square block of black limestone, alternately shiny and matt, with all the knobs, leads, grooves and batteries clearly delineated.

Though resolutely committed to modernism, Cragg can still indulge in anti-historical appropriation. "Spiragrya" is a spiral of spiked steel on which are impaled a number of odd-shaped, sand-blasted bottles, a somewhat threatening reference to Duchamp's "Bottle Rack" of 1913. The difference lies in the opposition of Cragg's carefully assembled piece and Duchamp's cheeky "found object," presented as a work of art because it was declared to be so by the artist.

Perhaps the most accessible pieces are the traditional bronzes, huge distorted blow-ups of laboratory equipment yielding zoomorphic and anthropomorphic associations which allow the viewer, as Cragg would like, "to get involved with the sculpture." The exhibition runs until September 6.

From the House of the Dead, Janacek's last opera, can rarely have been mounted so generously as by the Salzburg Festival this year. With Claudio Abbado conducting the Vienna Philharmonic, Nicolai Ghiaurov - as Gorianchikov, the aristocratic prisoner in Dostoevsky's Siberian convict-camp - leads a cast with distinguished singer-actors even in very brief roles. To name only a few: Barry McCauley, Philip Langridge as Skuratov, Alexander Oliver, Heinz Zednik and Elzbieta Szymka (the Serpento in *Finta Giardiniera*) as the boy Alyeya.

The huge stage of the Grosses Festspielhaus, Karajan's *folie de grandeur*, is not an obvious venue for this intense but pitiless little opera. Some British colleagues complained that Eduardo Arroyo's bare sets - a stark prison compound with one gigantic tree (crowded with sinister black birds in the final scene), a long, bleak beach for Act 2 - were too open and airy; but perhaps that betrayed a British view of prisons. There is a lot of room in Siberia: the horrors of the Dostoevsky camp had little to do with space-shortages.

Correspondingly, and more controversially, Klaus Michael Grüber's production proceeds in deadly calm. Physical brutality is at a minimum: even the ghastly flogging of Gorianchikov on his arrival was reduced to two offstage bowls. There is little sense of pent-up communal violence. Instead, each prisoner seems locked into his own private anguish.

That seems true enough both to Dostoevsky and to Janacek. The greater part consists, indeed, in impassioned monologues - reminiscent, grievously, of tortured or comic Grüber gave them undistracted room.

Salzburg Festival

Janáček & Rossini

After McCauley's and Langridge's sterling vignettes, Monte Pedersen crowned the opera with a superbly sustained and beautiful account of Shishkov's wrenching narrative. Clearly Abbado wanted this to be a lyrical *House of the Dead* above all.

In practice, there was one severe drawback: much of the audience could have had only the vaguest idea of what the singers were on about. They sang in the original Czech; subtitles for a multi-national audience would have been impossible; the synopsis in the evening programme-book was

There is little sense of pent-up communal violence.

Each prisoner seems locked into his own private anguish

wretchedly inadequate, and there were no intervals between acts which could have let German-speakers catch up with the libretto printed in the programme, or others at least consult the confusing synopsis again.

A noble project, then, but not audience-friendly. There is a continuing problem about programmes at Salzburg. The comprehensive, all-in programme-book has much better synopses (and a fascinating essay on Janacek by Milan Kundera, among others) - but it is heavy and cumbersome, mostly in German, costs the earth and has outdated cast-lists. As the leads in the concert performances of Rossini's *Tancredi* in the Felsenreitschule, for example, some of

the audience will have thought they were hearing Marilyn Horne and Edita Gruberova - who had walked out as the season began, to be replaced by young Vessilina Kasarova and Nelly Miricioiu.

Salzburg really must adopt the Munich and Bayreuth habit of posting up the actual cast-list for the evening. (If memory serves, they used to.) Meanwhile, the *Tancredi* audience may have been underinformed, but not disappointed. Miricioiu, now in the prime of her maturity, was an exquisite Amenaide, full-voiced and imaginatively delicate as required. Her vocal art is assured, her musicianship complete; and she played with the utmost generosity to her young mezzo *Tancredi*.

The petite Kasarova is a creature of formidable promise, trumpet-voiced in the heights and astonishingly powerful in the depths: her runs over two octaves were terrific. (It was rotten luck that persistent church-bells from somewhere nearby intruded upon her "Di tanti palpiti".) As Argirio, Donald Kaasch wielded a Rossini tenor of bright timbre, with a useful cutting edge, and a considerable sense of style; he must, however, learn to articulate rapid scales before it is too late.

The bass-baritone David Pittsinger made a fine, stentorian sound as Orsazzano, a further asset to the performance. Unlike Pinchas Steinberg's conducting - which was at best efficient, more often ponderous and plonking, with a deplorable penchant for gross, un-Rossinian *rallentandi* at the ends of numbers. He is down to conduct Verdi's *Giovanna d'Arco* next Festival: why on earth?

David Murray

London Promenade Concerts

Berlioz and Teixeira

THE intimacies of Berlioz's sacred trilogy are not obviously suited to the expanses of the Albert Hall nor to the generally bullish atmosphere of a prom. But Sunday's performance with the BBC Symphony Orchestra conducted by David Atherton was in every respect a success - paced and tended by Atherton with great care and affection, with decent if unspectacular orchestral playing (and on the Radio 3 relay at least) singing of immaculate clarity and passable French from an entirely Anglophone cast.

Berlioz evidently touches a chord in Atherton, a conductor whose treatment of the 19th-century repertoire often seems lacking in the spark he brings regularly to later music. While still a student at Cambridge in the 1960s he conducted a memorable performance of *Béatrice et Bénédict*, and the sympathy seems to have been preserved intact. It would have been easy to over-egg the *Enfance du Christ* in these circumstances, to inflate its moments of pomp, sentimentalise its rapt inwardness. Atherton allowed a natural unfolding, ensuring detail was clearly articulated and even undercutting the sweetness of the "Shepherds' Farewell" with sharp-edged oboes.

The cast was led by Martyn

Hill's narrator, light-toned, impassioned, humane, and Ann Murray's beautifully poised Mary, investing every phrase with exact weight and diction. Stephen Roberts was Joseph, soft-grained and self-facing, and David Wilson-Johnson made much of the role of Herod, vividly realising his monologue. The BBC Symphony Chorus, despatched to the gallery beneath the Albert Hall dome for the chorus of unseen angels at the end of the first part, was in attentive form, pleasing, quietly rewarding occasion.

Andrew Clements

One of the most imaginative pieces of planning in this year's Proms schedule was the filling of Friday's late-evening slot with church music by an 18th-century Portuguese composer all but unknown. That sounds hardly enticing; but, as given by The Sixteen Orchestra and Chorus (this time numbering 20), Antonio Teixeira's 80-minute-long setting of the *Te Deum* (1734) proved a winner.

Teixeira was born in 1707 and not heard of again after the Lisbon earthquake of 1755, of which he is thus presumed a victim. Since he merits only one small paragraph in *The*

New Grove, it breaks all the rules - happily! - for his *Te Deum* to be at once so grandly structured, so intricately fashioned for large forces, and so continuously exhilarating.

A boy prodigy sent by King John to study in Rome from the age of ten, he appears thereafter to have devoted his attentions to the church and opera house equally - as anyone might guess who quickly learns to relish the mixture of rigour and ornate brilliance in the *Te Deum* succession of movements. The use of spatially separated choirs and groups of soloists builds up a momentum that locks back to Monteverdi; the charm and vivacity of the melodic layout look forward to much later 18th-century church music; and yet the impact of the whole is utterly "personal", distinctive and fresh.

The Proms performers seemed to revel in exactly those qualities (not surprising: Christophers have already put this work on record). Among the eight solo singers, two each of soprano, alto, tenor and bass, there should be a particular word for Lynda Russell, joyously and expertly dispensing the first soprano's roccoco flourishes.

Max Loppert

An Edinburgh Day

Breakfast, a little bed, but not bored

10.15am. Breakfast as usual at the Queen's Hall. Gossip party about the Festival's three triumphs so far - *Moses and Aaron*, Mark Morris and, in last night's *Op. 1 No. 1*, Donohoe's late Donohoe. (a Russian Possibilities)

11am. Queen's Hall. Peter Donohoe: *Tchaikovsky's Chopin*. (Official) After the virtuosity of his starter, Tchaikovsky's Scherzo à la Russe (Op. 1 No. 1), Donohoe tells us that, when planning this programme, no one had realised how short the Scherzo would be. So, "to give the bar staff time to wash the glasses," he is adding now Tchaikovsky's late Dumka. ("This was going to be my encore, so don't clap too loud at the end.")

The selection proves a good sampler of Tchaikovsky's range: you hear his folk facet, his dance facet, his Lisztian stormy-virtuoso facet, his charming salon facet. The bridge to Chopin is his late "Un poco di Chopin" piece, best known (though not in musical circles) in Drigo's beautiful orchestral arrangement (and at about half the speed) in the 1895 St Petersburg text of *Serenade*, for which Tchaikovsky himself designated it. Donohoe, always a modernist, proves an unconventional Chopinist. No lingering, no attention to super-

cial beauties. Instead, he homes in on the music's structural daring, its fragmentation and Romantic wildness. 3pm. Assembly Rooms. Jenny Elair, *Mummy's Little Girl* (Fringe). Another one-person show. Sally Darling, former child star, has descended to crime. In a taste of bile and gleeful venom, she blames her ruinous decline on her ruthlessly ambitious mother - who is still trying to make her audition for "the Eldorado

tragic waterskiing accident victim". The show, a hysterical mixture of *Mommie Dearest* and *Whatever Happened to Baby Jane?*, has its funny and sad sides, but in general works too hard at either.

4pm. Assembly Rooms. Tom Hickey: *Misogynist* (Fringe). Another one-person show. One daily-paper critic is said to have thought this the worst thing he has ever seen, another the best. It is of course, neither. But Hickey is an astonishing performer. His circuitous, repetitious, Irish ramblings, with peculiar changes of subject and/or persona, gradually unfold a horri-

fyng psychopathological study: the helpless and murderous misogyny of this Catholic devotee. The text is overblown, but Hickey's delivery is an unfinching tour de force. Stroke by stroke, a non-person looms into vivid 3-D detail.

5.40pm. Assembly Rooms. Compagnie Philippe Gaulier: *The End of the Tunnel* (Fringe). This mime show (with speech), a spoof on the building of the Channel Tunnel from both English and French

with the local premiere of *Ein Traum. Was Sonst?*, his stage vehicle for Edith Clever, his favourite actress.

Alone onstage, she spends the first 40 minutes without speaking. Gravel and rubble are all around (the ruins of old Europe). Simply, she listens to a lecture on Wagner, to Hitler, to the bombs falling - and then to the renewing strains of the Pastoral Symphony. It is fascinating how Syberberg, like so many Ger-

man artists, shies away from no part of German history. In spite of the Scylla and Charybdis of Hitler and the war, he suggests that German culture has enduring vitality enough to bring comfort and new life. The first 30 minutes are transporting: Clever looks half like Peggy Ashcroft, half like Glenda Jackson, and has better bones than either. Every slight move is economical and eloquent. But then the show starts to celebrate her skills. In particular her talent for slowness. When she sits down, it is virtuosic Alexander technique. When she recites, it is preciously elegiac. The curtain

falls after 105 minutes, we applaud - and, leaving, realise that this is only the interval. But we do not return. 10.30pm. Royal Lyceum Theatre. Dennis O'Neill: *Neapolitan Songs*. (Official) If it were not for Ingrid the glittering accompanist, this would be the fifth one-person show of the day. O'Neill has worked so hard to become an Italian tenor - he even looks like Caruso's cartoons of himself - that there is nothing individual left. Half his repertory turns out not to be Neapolitan, and most of it is just familiarised by the "Three Tenors in Rome" gala. (Yes - "Nessun dorma," "Recondita armonia," and "E la solita storia")

As the recital proceeds, O'Neill finds his form. He is at his best, and least clone-like, in the encores: "O sole mio," whose refrain he decorates handsomely with a slow trill and whose second verse he sings softly; and "Santa Lucia," which he belts out fortissimo but with ardent phrasing.

12 midnight. My tally for Week One comes to 28 shows. The taxi-driver tells me that last year, he picked up a little old lady who had just done her 147th show and who hoped to tot up 200 before the Festival was over.

Orchestra in an all-Mendelssohn programme. Next Tues: Academy of St Martin in the Fields (247747)

THEATRE Theater Ultimo presents James Saunders' play *The Island at the Markthal* daily from tomorrow till Sun (339491). The Deutsches Schauspielhaus has West Side Story daily till Sun.

Peter Zadek's production of *The Blue Angel*, starring Ute Lemper, transfers from Berlin on Sep 12 (248713). St Pauli-Theater has Cole Porter's musical *Kiss Me Kate* daily till Sep 10 (314344)

LONDON

● BBC Proms: tonight and tomorrow, the St Petersburg Philharmonic Orchestra plays at the Royal Albert Hall. Mikhail Rudy is soloist in Rakhmaninov's Second Piano Concerto in tonight's concert, in which Mariss Jansons also conducts Shostakovich's Fifth Symphony. Tomorrow: Yuri Temirkanov conducts Sibelius and Tchaikovsky.

Events later this week include a John Adams programme on Fri, plus weekend concerts by the BBC Welsh Orchestra and the Mike Westbrook Orchestra in Big Band Rossini (071-823 9998)

● English National Opera's new season opens on Thurs with Jonathan Miller's production of *Rigoletto* (071-836 3161). Also on Thurs, Christopher Hogwood conducts a concert performance

of Purcell's *Dido and Aeneas* at the Barbican (081-638 8891)

NEW YORK

JAZZ After a five-year absence, jazz singer Betty Carter returns to the Blue Note tonight for a week-long engagement, accompanied by a dynamic young trio (showtimes at 21.00 and 23.30). Considered one of the few true jazz singers, Carter has enjoyed a great deal of popularity in her long career, not just through her recordings but also her high-profile gigs and the numerous honours she has been accorded.

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SEVILLE EXPO

James De Priest conducts the Malmö Symphony Orchestra at the Maestranza Theatre tonight and tomorrow. Anton Garcia Abril conducts the Madrid Symphony Orchestra in a concert of his own music on Fri. Next week, the Vienna State Opera gives three performances of Don Giovanni starring Ruggero Raimondi, plus a Vienna Philharmonic concert with Abbado. Gerardo Vera's musical of Spanish song, entitled *Azabache*, runs till Sep 13 at the open-air Auditorium. The world premiere of Domingo Miras' new play *Las Brujas de Barahona* can be seen at the Central Theatre on Thurs.

● For further information, dial 0034 5 448 0404 from outside

Spain, or 902 22192 in Spain.

STOCKHOLM

On Saturday at Drottningholm Court Theatre, there are two performances of Figaro, Ivo Cramér's new pantomime ballet after Beaumarchais, repeated on Fri and Sat next week. The festival ends with concert performances of operas by Gluck and Haydn at the end of September (860 8225). The Stockholm Philharmonic Orchestra opens its new season next week at the Konserthuset with two concerts conducted by Gennady Rozhdestvensky, featuring Mats Widlund as soloist in piano concertos by Steinhammar and Rosenberg (244130)

WASHINGTON

WOLF TRAP Smokey Robinson gives tonight's concert at 20.00. Tomorrow: Every Brothers. Fri: Los Lobos. Sat: Judy Collins. Next week: Evita (Filene Center at Wolf Trap, 703-218 6500) **BLUES ALLEY JAZZ** Tonight's guest artists are Covington, Seals and Yarborough (jazz, sax, organ). Tomorrow: MSP (contemporary). Next Mon: Jerry Gordon Quintet. Dinner from 18.00, showtimes at 20.00 and 22.00 (1073 Wisconsin Ave, in the alley, 337 4141)

KENNEDY CENTER Aspects of Love: Andrew Lloyd Webber's musical, staged by Robin Phillips, opens tonight and runs till Sep 27 (467 4600).

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN 2000-2030, 2300-2330 World Business Today (a joint FT/CNN production with Grant Ferry and Colin Chapman)

Super Channel 0830-0900 (Mon) FT East Europe Report - weekly in-depth analysis from FTTV

2130-2200 (Tues) Media Europe - what's new in European media business

2130-2200 (Wed) FT Business Weekly - global business report with James Bellini

0830-0900 (Thurs) Media Europe 2130-2200 (Thurs) FT Eastern Europe Report 0930-0900 (Fri) FT Business Weekly

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SUNDAY CNN 0900-0930 World Business This Week - a joint FT/CNN production 1900-1930 World Business This Week

Super Channel 1930-2000 FT Eastern Europe Report

CNN 1030-1100, 1900-1930 World Business This Week

Super Channel 1930-1950 FT Business Weekly

Sky News 1330-1400, 2030-2100 FT Business Weekly

INTERNATIONAL ARTS GUIDE

BERLIN

● La bohème opens the 1992-3 season at the Deutsche Oper tonight at 19.30. Rafael Frühbeck de Burgos conducts. Sona Ghazarian is Mimì (repeated on Sat). Tomorrow and Sun: L'italiana in Algeri. Thurs: Die Zauberflöte (West Berlin 3410 249).

● Wolfgang Rennert conducts an open-air performance of Aida at Waldbühne on Sun (Berlin Ticket 301 9999).

● Christoph Eschenbach conducts the Berlin Staatskapelle on Sun and Mon at the Schauspielhaus. The programme includes Mahler's First Symphony and Marek Kopelent's new cello concerto played by Heinrich Schiff (West Berlin 254 89250).

● The new season at the Staatsoper unter den Linden opens on Sep 2 with Hindemith's Neues vom Tage. The first new production is Graun's Cleopatra e Cesare on Oct 4, marking the

theatre's 250th anniversary (East Berlin 200 4782).

● The Komische Oper season begins on Sep 4 with Gluck's Orfeo. The first new production is Rienzi on Sep 25 (East Berlin 2292 555).

● The Berlin Festival opens on Sep 2 with the world premiere of Aribert Reimann's opera Das Schloss. Claudio Abbado conducts the Berlin Philharmonic Orchestra on Sep 3 and 4. The festival runs till Sep 27 (West Berlin 254 89250).

● The Schaubühne begins its new season tomorrow with Bob Wilson's production of The Illness of Death by French dramatist Marguerite Duras. The company also has Maxim Gorki's play The Lower Depths at the Freie Volksbühne (West Berlin 890023)

CHICAGO

RAVINA FESTIVAL Helmut Rilling conducts tonight's performance of Mendelssohn's Elijah. Tomorrow: Vittorio Negri conducts all six Brandenburg Concertos. Thurs: Gerard Schwarz conducts Mostly Mozart Orchestra. Fri: Paul McCartney's Liverpool Oratorio. Sat: blues night with John Lee Hooker and Buckwheat Zydeco. Sun: Rossini concert with Frederica von Stade. Next week: Martha Graham Dance Company (312-728 4642)

COPENHAGEN

TIVOLI CONCERT HALL This week's programme includes

a performance of Mozart's A major Violin Concerto tonight by Louise Bebbler, and a Tivoli Symphony Orchestra concert on Thurs featuring Alicia de Larocha in Mozart's Piano Concerto No 23. Next week: Alvin Ailey American Dance Theater (3315 1012)

GENEVA

Tonight's concert by Ensemble Erwartung at the Cour de l'Hôtel de Ville includes works by Falla, Cristóbal Halffter and Roberto Sierra. Tomorrow: Armin Jordan conducts the Orchestre de la Suisse Romande in an all-Mozart programme (812 4353)

HAMBURG

Gerd Albrecht conducts concert performances of Schumann's Genesveva tomorrow and Sat in the Musikhalle, with a cast including Alan Titus, Keith Lewis and Julie Faulkner. A Hamburg State Opera production of Udo Zimmermann's chamber opera Die weisse Rose can be seen at the Studio in der Büschstrasse tomorrow, Sat and Sun (351721).

Hamburg's summer music festival, this year focusing on the music of Mendelssohn and Giacomini Scelsi, opens on Sun morning in the Musikhalle with a Hamburg State Philharmonic concert conducted by Gerd Albrecht (repeated next Mon and Wed evenings).

Sun evening: John Elliot Gardiner conducts the North German Radio Symphony

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
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Tuesday August 25 1992

Waiting for the French

BLUFF WORKS only so far in the tussle of wills between central banks and the money markets. From time to time, the authorities have to put their monetary policies where their mouths are. For Mr John Major, that time could be nigh.

The prime minister has repeatedly said that he is prepared to do whatever may be necessary to maintain sterling's position within the ERM. With sterling only a fraction above DM2.80 last night, he may have to prove it. If market intervention were to be unsuccessful, proof could require a large interest rate increase. Such an increase might, if sustained, turn recession into slump.

Why might Mr Major have to punish the UK economy in this way? The reason is simply that a fixed exchange rate means abiding by the actions of those who care little for him or his country. The Bundesbank is set wholeheartedly on disinflation; the Federal Reserve is little less enthusiastic about inflation. With a small chance of any early reduction in the three-month interest rate differential between the dollar and the D-Mark, now some 6% percentage points, selling dollars has appeared to be a one-way bet. The result: the US currency touched an all-time low of DM1.3965 yesterday.

Treaty referendum

This leaves Mr Major and the hapless Mr Lamont in considerable difficulties. But they will have to hold on, at least until after the September 20 French referendum on the Maastricht treaty. Unfortunately, the French may then deliver the worst possible result: an exiguous majority in favour of the treaty. That would undermine the plausibility of the European Community's planned journey to economic and monetary union, but not terminate it. Moreover, the only sensible alternative to current European monetary policies – a D-Mark appreciation against most of the other European currencies – still seems unlikely, whatever the result.

The UK will remain with its lonely choice: in or out, with no compromise in between. Mr Major insists that the UK will remain in, regardless. But insistence cannot be enough on its own. The UK is locked in a vicious cycle charac-

teristic of imperfectly credible fixed exchange rate regimes: the more adverse the economic circumstances, the more questionable the government's commitment; the more questionable the commitment, the more the government must reinforce it; and the more the government has to reinforce it, the more adverse become the economic circumstances.

The effect of high interest rates in the short to medium term is not the sole reason for the questioning. It may well be argued that persistent current account deficits should not matter. If economic activity does not matter, this is certainly true. But for electorates it normally does matter.

Trade deficit fears

Yesterday's balance of payments figures show that the volume of imports, excluding oil and the erratic items, grew by 8 per cent in the year to the three months ending in July, despite the recession. Over the same period export volumes rose only 3% per cent. Worse, the growth of imports was high across all categories of manufactures, with capital and intermediate goods showing the smallest increase. The current account deficit, now a little below 2 per cent of gross domestic product, could explode when growth restarts.

The UK's trade performance raises questions about the chances for sustained recovery. What is needed is a long period of improving competitiveness to offset the reduced competitiveness against important trading partners suffered by the UK between 1987 and 1991. Given the low rates of inflation elsewhere, however, improved competitiveness will come slowly. Worse, the low inflation needed for improved competitiveness will tend to raise real interest rates and constrain domestic demand.

The government will, and must, abide by the rules it has embraced. But the durability of its policy will be secured only by the acceptability of the consequences. So far the consequences have been far more adverse, at least for economic activity, than the government originally supposed. Yet what makes any policy credible is not assertions by governments, however often repeated, but acceptability to electorates. The British electorate has been forgiving once. It may not be a second time.

The rising cost of health care

THE GOVERNMENT'S difficulties in controlling rising health care costs in the UK are well illustrated by the spending figures published today by the Office of Health Economics. This year's total for spending on health looks likely to top £40bn, 100 times the cost of the National Health Service (NHS) in 1949, its first year. The growth in NHS spending appears inexorable, with expectations now raised by the Patient's Charter which promises higher quality service and a more customer-friendly approach.

Rising health costs are nothing new. Beveridge, the architect of the modern welfare state, estimated that the health service would cost just £170m. The outturn in the first year was more than double this figure, and the NHS has absorbed a rising proportion of the national income ever since. Beveridge's prediction that the cost would not increase as the benefits of free health care raised the nation's health now looks to be – as Enoch Powell put it when health minister – a "miscalculation of sublime proportions".

There has been some slackening in growth rates: from annual rates of over 5 per cent in the 1960s and 1970s, growth has come down to 3 per cent a year in the 1980s. And productivity has greatly increased. The number of patients treated in NHS hospitals has risen from 3.8m in 1951 to 9.2m in 1990-91. This has been achieved on a much smaller share of national income than most other advanced countries spend. UK health expenditure is just 6.5 per cent of GDP, compared with the average for the OECD of 9 per cent and for the EC of 7.6 per cent.

UK behind

It is not evident that people in the UK are greatly worse off as a result of spending a quarter less on health than the OECD average. The infant mortality rate in the UK, at 7.9 per 1,000 live births, is on the OECD average and barely above the EC figure. Life expectancy rates for both men and women are also much the same as the EC average. There are indicators where the UK lags behind – the high level of heart disease among men is the best example. On the other hand, Britain does well by other measures – such as

the death rate from strokes among women, one of the lowest in western Europe.

One reason for the apparent efficiency of the UK health service has been the control which the centralised NHS has historically been able to exert over costs, particularly pay. However, the downside of the UK's planned economy in health has been queues, with about 700,000 people on waiting lists for hospital treatment, some for as long as two years. Those who can afford to go privately – 13 per cent are now covered by private medical insurance, mainly to avoid queues.

Higher quality

The government's health reforms are designed to turn the planned economy upside down. Patients are being given rights and health service managers empowered to deliver higher quality and more responsive health care. Large health authorities are giving way to self-governing NHS trusts, and greater flexibility in staffing and pay is promised.

These aims are wholly commendable, but vigilance will be essential if this freeing-up of the health market is not to bring an explosion in costs. Breaking away from national pay scales often leads to wage drift upwards rather than lower costs. And there are many parts of the country where there is only one district general hospital within easy reach, which will enjoy effective monopoly power in the NHS internal market.

Nonetheless, the potential for lower costs is there. The increased number of patients treated in hospitals has been achieved despite a fall in the number of beds from 560,000 in 1981 to 330,000 in 1991. New surgical techniques are increasing the scope for increasing still further the number of treatments which can be carried out without an overnight stay in hospital. Family doctors have been encouraged to carry out much more treatment in local health centres which have lower overheads than all-purpose hospitals. While cuts in health spending are almost certainly politically impossible, it should be possible to squeeze better health care out of the budget without further quantum leaps upwards.

The British government, facing the most serious sterling pressure since joining the European exchange rate mechanism in October 1990, was yesterday batten down the currency hatches. Concerted central bank intervention to limit the D-Mark's rise against the weak dollar staved off the immediate risk of higher British interest rates. But, with the dollar closing in London at just above DM1.40, the threat of a serious monetary crisis may grow.

The message from Germany is uncompromising: Britain should stand firm. "We are seeing exaggerated speculative movements where everyone is moving into the D-Mark," Mr Axel Siedenberg, senior economist at Deutsche Bank in Frankfurt, said yesterday. To show currency markets that it is serious about combating inflation through the ERM discipline, he says the British government will probably need to send a "firm signal" by raising UK banks' base rates from their current level of 10 per cent.

Whatever the outcome of the next few days, Britain will remain caught in the crosswinds of an international currency storm whose causes, in both the US and Europe, are largely beyond the UK's control. The US has been easing monetary policy to try to end recession. On the other hand, the Bundesbank – which effectively sets the interest rate floor for the whole ERM area – is keeping interest rates high to counter the reunification-induced rise in German inflation.

The foreign exchanges are also being buffeted by the latest opinion polls showing increasing French opposition to the Maastricht treaty on European political and monetary union. The currency markets believe a "no" vote in the French referendum next month would increase demand for the D-Mark – and thus heighten disruption in the ERM, the EC's exchange rate stabilisation scheme which has functioned without a full-scale realignment since January 1987.

The political complications over ratifying the Maastricht treaty have compounded Britain's economic predicament. Having described the ERM in September 1990, a fortnight before Britain joined, as "a modern day gold standard with the D-Mark as the anchor," Mr John Major is presiding over Britain's longest peacetime recession since 1930-31. Yet the UK government's ability to cut interest rates to revive the economy is constrained by the tight credit policies of the Bundesbank. Since interest rates have fallen more slowly than inflation since autumn 1990, UK real interest rates have risen to an annual 6 per cent from 4 per cent since October 1990 (see chart).

Calls from some UK politicians and economists for Britain to devalue sterling against the D-Mark have been heightened by Britain's current account deficit, underlined by a further widening in the short-fall for July to £34m. In spite of economic decline, Britain will record a current account deficit of between 1.5 and 2 per cent of gross domestic product this year. The UK's ERM experience so far has been in sharp contrast to France, which managed to improve industrial competitiveness after adopting an austerity policy which stabilised the franc against the D-Mark during the 1980s.

The pain caused by Britain's transition to a low inflation economy has prompted debate around Europe about whether the UK should change policies. Most leading European economists, however, say that

European economists say the UK has little choice but to hold its ground within the ERM, writes David Marsh

Present pain for future gain

Britain has no choice but to keep taking the D-Mark medicine – even though this may, in the short term, force a highly unpopular increase in the cost of credit.

"After the UK failed during the 1980s to bring down inflation with its own efforts, improving anti-inflation performance through an external constraint represents Britain's last hope," says Mr Hans-Peter Fröhlich, international economist at the Cologne-based Institut der deutschen Wirtschaft, the industry-backed economic research body. "Britain has to grit its teeth and press on."

The option of devaluation within the ERM would not allow British interest rates to fall below German levels. Such a step might even send sterling interest rates higher if the markets believed Britain's anti-inflation resolve were flagging, according to Mr André Szasz, executive director of the Nederlandsche Bank, the Dutch central bank.

He says experience shows that "devaluation ends up increasing interest rates rather than lowering them". When the Dutch government – against the advice of the Nederlandsche Bank – devalued the guilder by 2 per cent against the D-Mark in 1983, Mr Szasz says this had a negative impact on financial market sentiment. "The government caused Dutch interest rates for years to be higher than would otherwise have been the case."

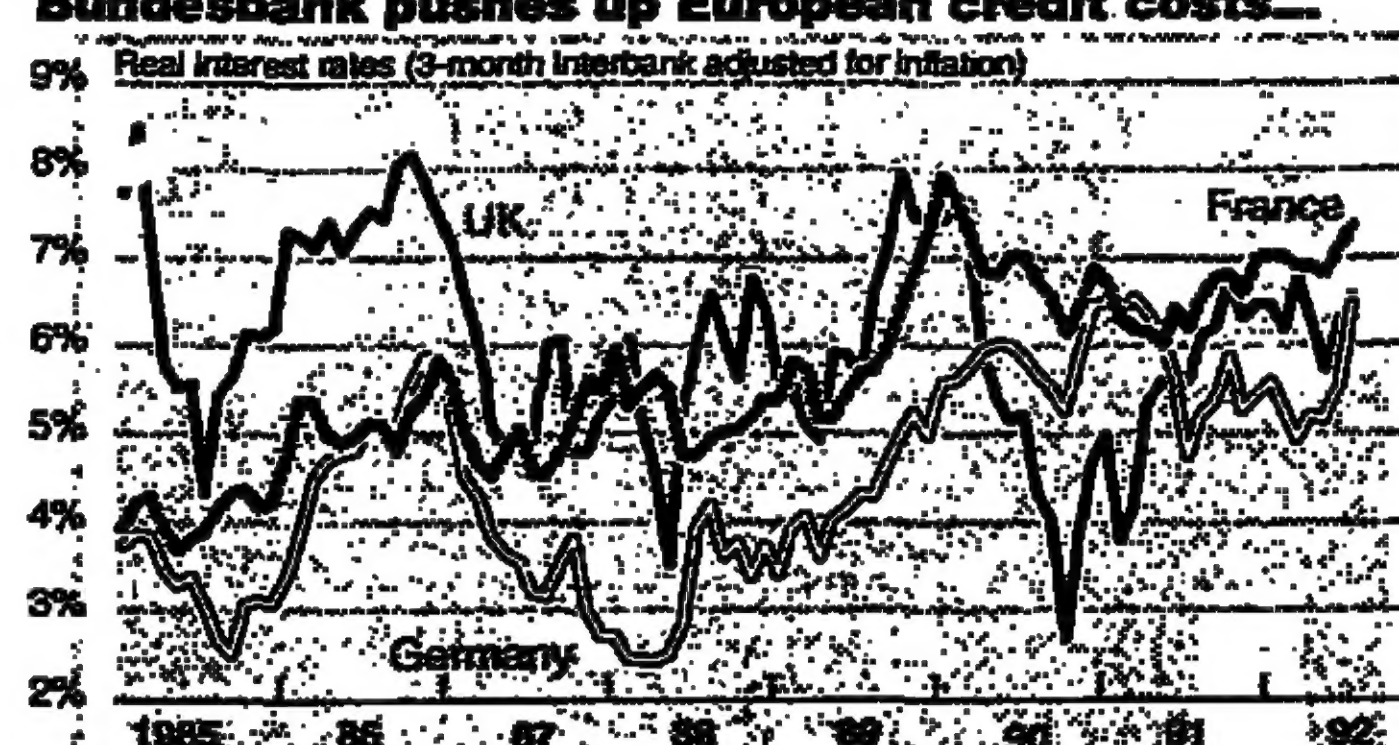
Another experienced continental central banker, speaking anonymously, advised Britain to "stick it out" because "all the alternatives are awful". Having decided much later than France to bind itself to ERM discipline, Britain is only half-way through a four-year battle to convince foreign exchange markets that it is serious in trying to defeat inflation, he says.

If the UK took the drastic step of leaving the ERM, cutting interest rates and allowing the pound to float, it would take 10 years to restore confidence on the financial markets, he adds.

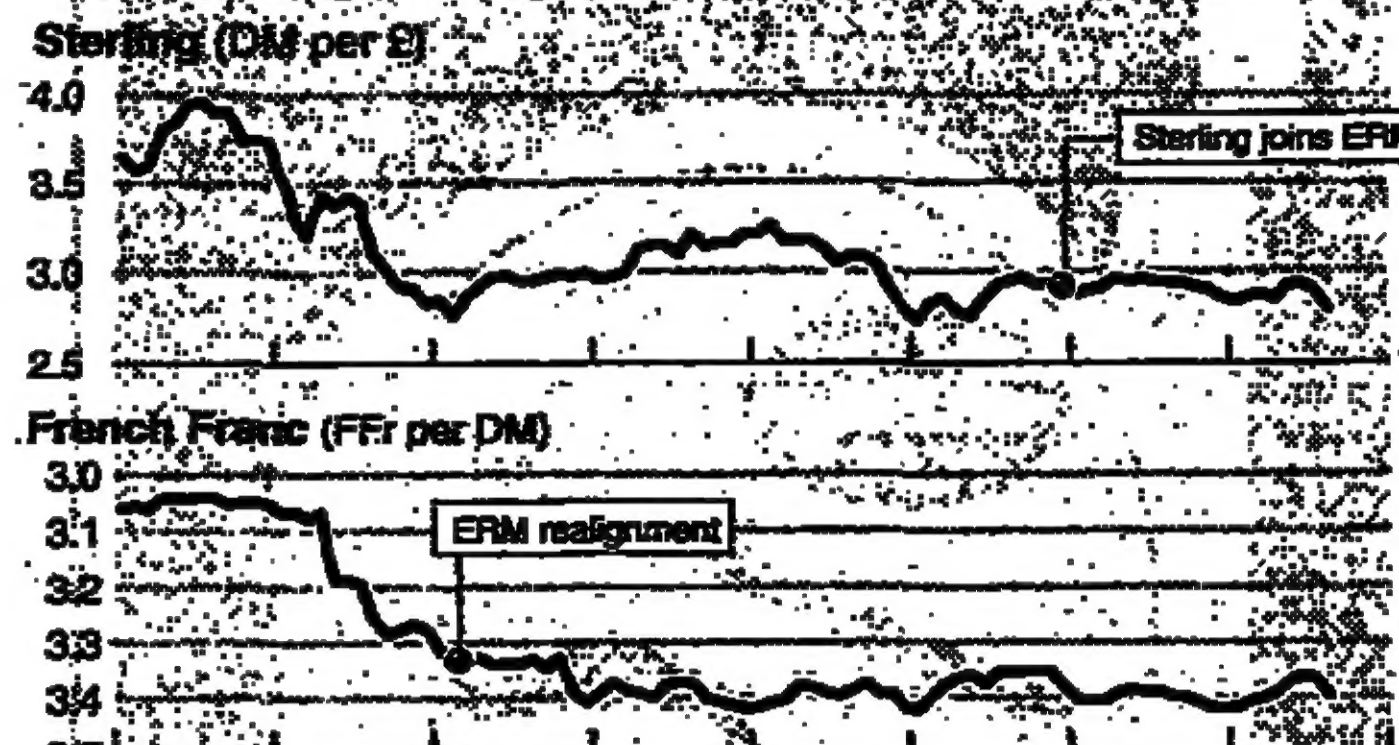
Even if Britain departed from the ERM, it could not wholly insulate itself from the influence of high German interest rates, owing to the UK's strong trade and investment links with the rest of the continent, according to Mr Jean-Paul Bédécarrats, chief economist at Crédit Lyonnais in Paris. "Even if you are not in the ERM, you are not outside the German monetary area, and this is a zone of high interest rates. There is no hiding place."

Mr Eric Fasz-Bernard, chief economist at Banque Indosuez in Paris, advises central banks around the continent to defend present ERM parities with all means available during the nervous period up to the French referendum on September 20. In view of the large credit facilities

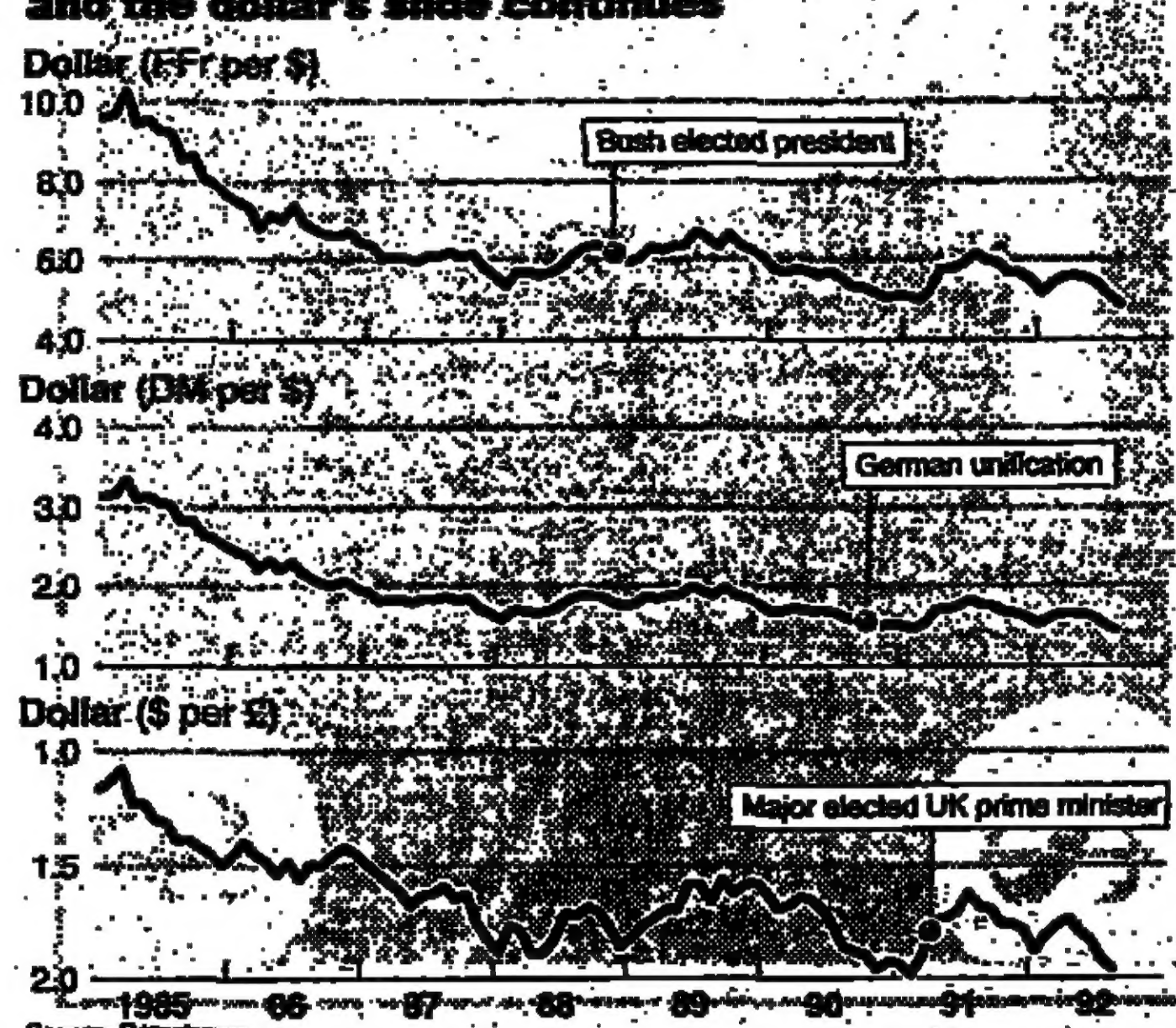
Bundesbank pushes up European credit costs



as D-Mark gains against European currencies



and the dollar's slide continues



ties available to central banks whose currencies fall to their ERM floors, countries may be able to maintain present currency rates without having to raise interest rates, he believes.

Mr Peter vanden Houte, international economist at Banque Bruxelles-Lambert in Brussels, also favours a tough line. "The British are being very masochistic in pegging the pound to the D-Mark. But there is nothing else they can do."

He says that organising a moderate sterling devaluation of about 5 to 6 per cent within the ERM would

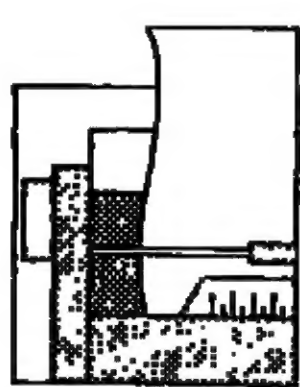
have little significant impact on the competitiveness of UK industry. Leaving the mechanism altogether, allowing sterling to float down to perhaps DM2.30 to DM2.40 from its present level of about DM2.80, would be politically impossible during Britain's current six months as president of the EC.

Britain's ERM difficulties represent the latest example of the system's external constraints colliding with a member government's domestic policy priorities. For several reasons, however, Britain's problems appear exceptionally dire.

PERSONAL VIEW

Careful therapy in the special case of Russia

By John Williamson



President Boris Yeltsin is the first democratically elected leader in Russia's history, and a leader of proven courage. His government represents by far

the best chance that Russia has of realising its dream of becoming a political democracy with a prosperous market economy. The west has an overwhelming interest in seeing Russia fulfil this dream, given that the alternatives are internal splintering, or a new authoritarianism, or a frustrated nationalism, or some combination of these.

The Group of Seven leading industrialised countries is surely worrying about how it can help Yeltsin's regime. The G7 should not confine its thoughts to financial help. An invitation to enlarge the G7, with a suitable reminder that this is a club of democracies, could give Russian pride a boost.

Nevertheless, it is not pretending that Russia can be helped on the cheap. It is desperately short of foreign exchange. The west has made provision for \$2.4bn (£12.3bn) in one form or another. One may regret that this mostly consists of credits on commercial terms, which threatens to intensify Russia's long-term debt-servicing problem.

While money is essential, no one imagines any longer that problems can be solved just by throwing money at them. We have entrusted the International Monetary Fund with the responsibility of judging whether policies worth supporting are in place. We have a duty to discuss how the IMF should discharge this responsibility.

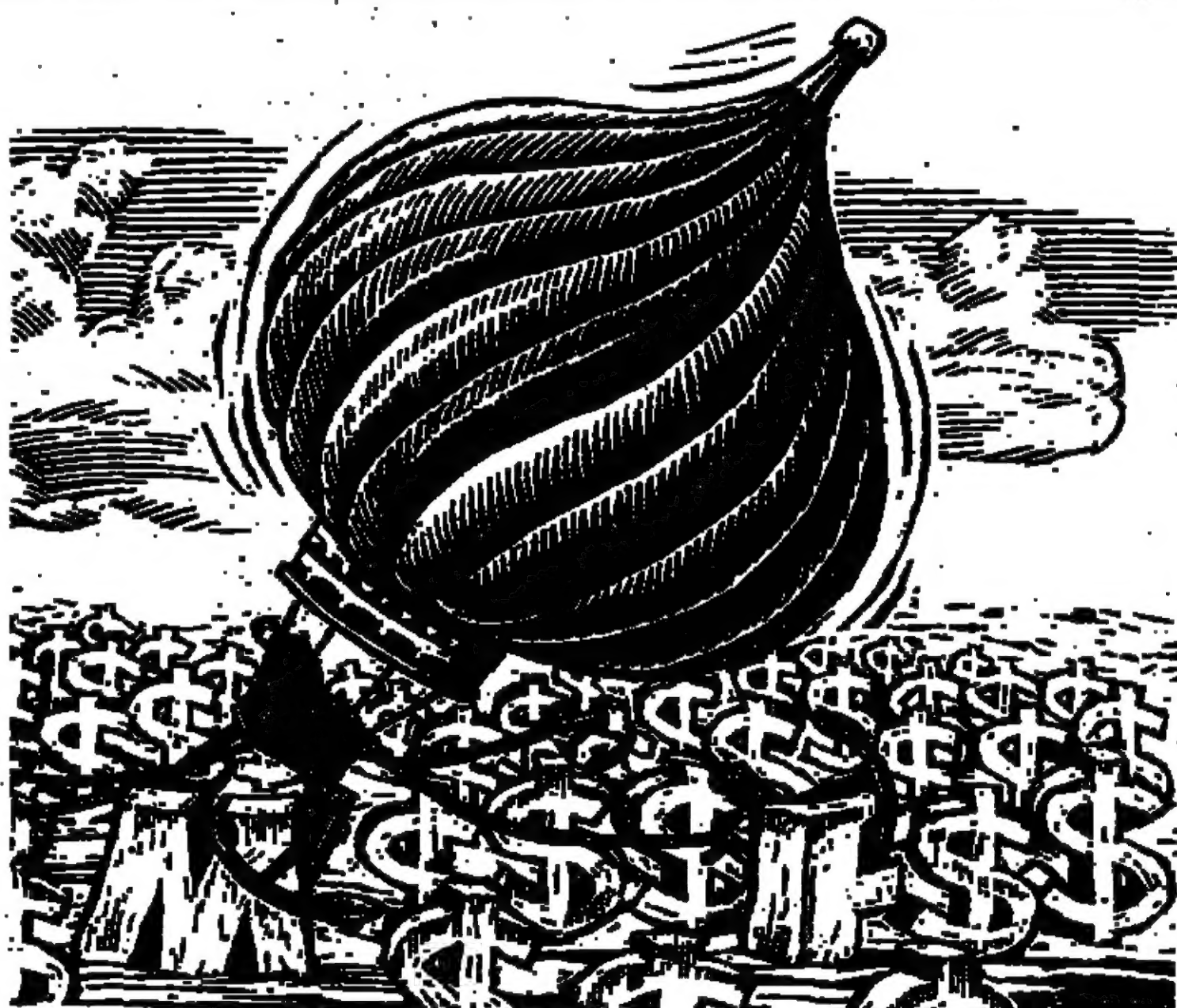
The immediate issue concerns the

standby. It would be wrong to abandon the conditionality that has traditionally applied to such drawings because "Russia is a special case". It is of course true that Russia is a special case – as indeed is every case the IMF has to deal. In principle the IMF allows for this by tailoring each programme to the particular needs of the country involved, and in practice it gets closer to that ideal than its critics acknowledge (which is not to claim that it leaves them no ammunition).

So what should be the right measures to incorporate in a Russian programme? It should not be a programme for or against "shock therapy". Russia received a shock when prices liberalised last January and it cannot be unshocked now by reimposing price controls or increasing the budget deficit.

Nor should the programme commit Russia to a specific target for the rate of inflation. The IMF game of demanding a commitment to an unrealistically low rate of inflation and then forcing any responsible country negotiator to demand a higher inflation target is counterproductive. Policymakers do not have the tools to fine-tune the rate of inflation and the bickering gives the public the impression that the authorities are half-hearted inflation fighters.

Nor should the IMF insist on precipitate liberalisation of energy prices. It was important that energy prices be raised substantially, as has already been done. And it is important that the public know that they will ultimately be raised to international levels. But there was a respectable case for raising energy prices gradually.



Finally, the programme should not focus on privatisation. The Russians are pushing ahead on that front faster than many had expected, and the IMF lacks expertise that could help them to do it better. The main focus of the IMF programme should be on averting the terrifying real threat of hyperinflation. Despite the fall every month since January, monthly inflation is still well into double digits; inflationary expectations are out of control; and there is no income policy. Against this unstable background, the budget deficit started to widen ominously again in the second quarter; massive new bank credits are being injected into the economy in the (forlorn) hope of rolling back the vast inter-enterprise arrears that emerged earlier this year, and the rouble has fallen sharply again on the foreign exchanges.

Monetary policy offers scope for constructive policy initiatives. The inter-bank settlement system has almost broken down. The very real problem of inter-enterprise arrears needs to be tackled through by consolidating the system for settling the debts of inter-enterprise banks. The IMF should be able to help with this.

After a 2.4 per cent decline in GDP in 1991, City economists forecast a further 0.5 per cent contraction in 1992 – the worst two-year performance of any ERM member since the European Monetary System started in 1979.

Because EMS members have become increasingly reluctant to devalue, countries which run into exchange rate difficulties can no longer expect to be bailed out through agreement on a general currency realignment, as was the case in the early EMS years.

Mr Ernst-Moritz Lipp, chief economist at Dresdner Bank, illustrates this point by pointing to France's refusal to devalue the franc during the past few years. This upset chances for currency realignment based on a revaluation of the D-Mark at the time of German unification in 1990-91 – when it would have been economically beneficial for Europe.

In spite of governments' antipathy to devaluation, Mr Lipp believes pressures are building for an ERM realignment this autumn. The strains are focused not simply on Britain, but also on the lira, which has also slid close to the D-Mark floor.

Mr Lipp suggests that Britain should join forces with France to persuade Germany to revalue the D-Mark. If this fails, Britain should devalue unilaterally in order to "decouple" from the D-Mark – a move, he says, which could be presented as a legitimate reaction to the extreme monetary pressures caused by German unification.

A powerful reason behind France's commitment to a firm franc has been its desire to put into place the conditions for European economic and monetary union. The French government sees the establishment of a single European currency, to be run by a European central bank, as the best way to end the present dominance of the D-Mark. This justifies the heavy economic and political capital France has invested in the Maastricht process – and also underlines the high stakes in next month's French referendum.

Yesterday's international intervention to support the dollar suggests that central banks have adopted the policy of doing everything possible to steady the foreign exchanges before the French vote. Their inability, however, to stop the US currency's slide indicates, however, how ineffective that effort may be.

According to Mr Brendan Brown, international economist at Mitsubishi Finance in London, the Bank of England may allow the pound to fall within the next few days to its lowest possible ERM limit against the D-Mark. Under the rules of the EMS, this would oblige the Bundesbank to intervene to sell D-Marks, inflating domestic German liquidity and threatening further unwelcome expansion of the German money supply. This, Mr Brown suggests, might force the German government to abandon its present reluctance to revalue the D-Mark.

Britain's dilemma is a cruel one. The measure most needed to convince the foreign exchange markets of the government's anti-inflation commitment – a rise in interest rates – is precisely the step which could risk turning the UK's recession into a full-scale slump. Mr Major must hope for a French "yes" next month, followed by an earlier-than-expected easing of Bundesbank policies. If these hopes are not realised, and the dollar's slide continues, the pressures to break free from the ERM may intensify.

The author is a senior fellow, Institute for International Economics.

Cost constraints prompt a continental shift

LSI's decision to close its German plant shows the problems facing high-tech manufacturing in Europe, says Louise Kehoe

The decision by LSI Logic, a US semiconductor maker, to close its state-of-the-art plant in Germany, demonstrates the problems faced by European manufacturers of high-technology, capital-intensive goods.

Balancing the superior productivity of Far East factories against the advantages of "local" manufacturing to serve the European market, LSI was driven to an inevitable decision. The plant will be phased out over the next six months with the loss of more than 250 jobs.

"We have agonised over this for years, probably much longer than we should have," says Mr Wilfried Corrigan, chairman and chief executive of the company, based in Silicon Valley. It specialises in "application specific integrated circuits", chips tailored to meet the needs of individual customers.

But in the end, says Mr Corrigan, "we came to realise that our strategy of local manufacturing in Europe, the US and Japan to serve our major markets was not going to work."

LSI's retrenchment reflects rising concerns throughout the electronics industry. Several other electronics manufacturers with plants in Europe have expressed similar doubts about whether the costs of their operations offset the benefits.

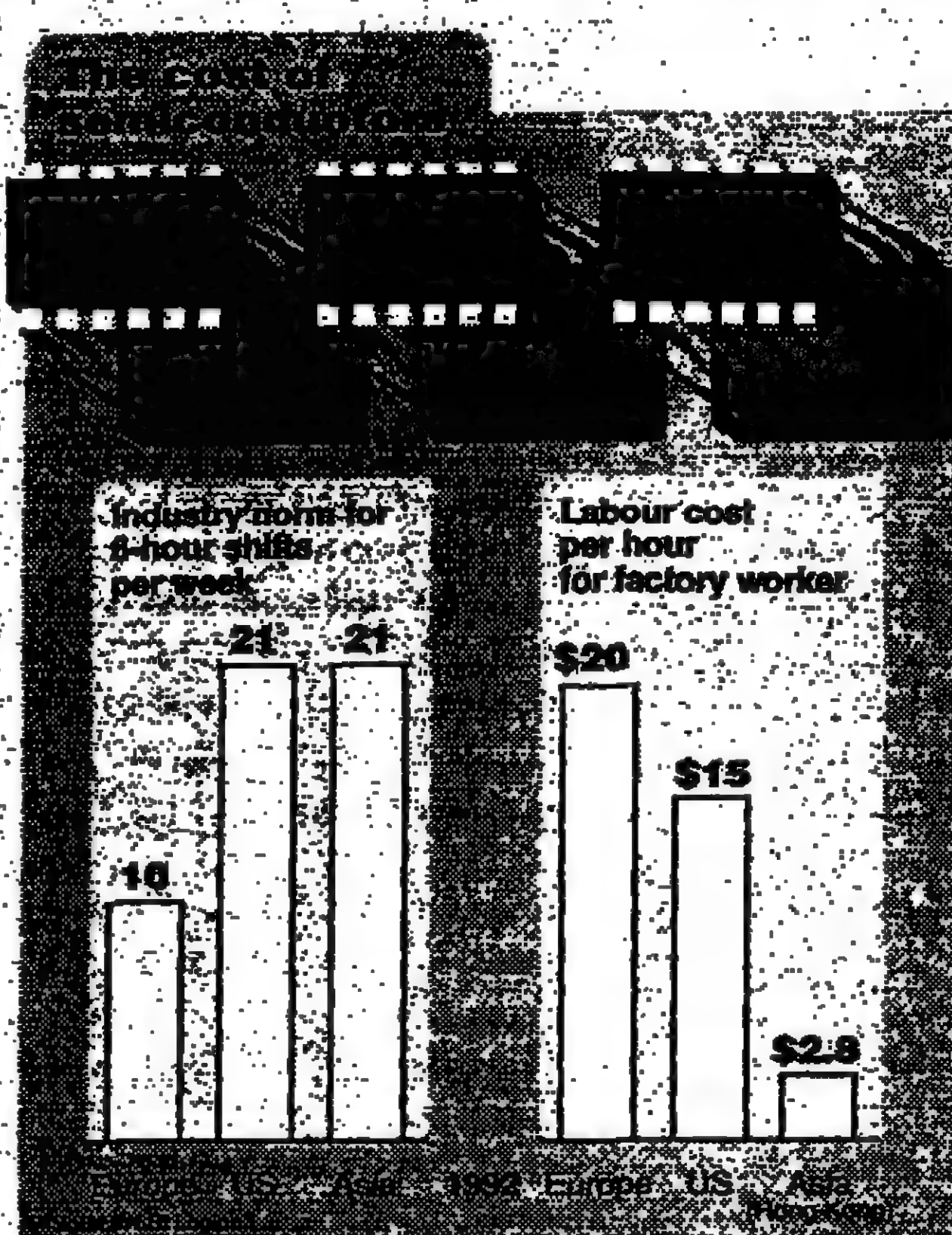
Although LSI's German plant is one of the most advanced semiconductor assembly and test facilities in the world, low productivity has made it uncompetitive in the global chip market (see chart).

"The German management is good and the workers are good. It is not their fault," says Mr Corrigan, who blames the decision to close on the relatively high cost of operating in Europe. LSI would probably have had to close down its European operation in whatever country it had been located, he adds.

LSI chose Brunschwitz, near Hanover, in 1985 as the site for its first European "assembly and test" plant. At the time, the company was committed to a strategy of serving its principal markets with local manufacturing plants in the US, Japan and Europe. Like other electronics manufacturers, LSI was seeking the advantage of proximity to customers to achieve better distribution and service.

LSI originally chose Germany as the site for its first European plant after a lengthy evaluation of several European locations. Ultimately, the company was lured to Germany by generous tax incentives and its highly skilled workforce.

But the issue that led to the



closure of the plant is common throughout Europe. The problem, says Mr Corrigan, is that European labour practices, and in several cases legislation, prevent round-the-clock operation of the plant. With high capital costs for production equipment, the goal is to run the plant non-stop. This is possible in Japan and the Far East, where plants typically operate on a three shift system. In the US, LSI achieves non-stop operation by having two shifts with workers putting in a 12-hour day.

The rising value of the D-Mark against the dollar - which has increased the operating costs to the US company - was the final factor. When LSI built the plant in 1985 the D-Mark was at about \$2.50. Now the German currency has

fallen to well below \$1.50. According to Mr Corrigan, the decision to close the plant does not signal a lack of interest in the European market. Of total group sales of \$698m (£367.9m) in 1991, 15 per cent came from Europe. LSI is a leading supplier of application-specific integrated circuits to European telecommunications equipment makers.

He acknowledges, however, that demand for LSI products in Europe has matched expectations. "The European computer industry has not expanded as we anticipated. There is very little personal computer or computer workstation manufacturing in Europe."

EC trade policies designed to encourage European produc-

tion of semiconductors do little to change the economic equation. "This market is not willing to pay [the added cost] for local production," Mr Corrigan observes. Despite 14 per cent EC import tariffs on semiconductor devices made outside Europe, it is cheaper to produce them elsewhere, for instance South Korea, Hong Kong or Malaysia.

The Pacific Rim economies, and in particular Japan, also enjoy an advantage in the supply of sophisticated machinery for semiconductor production. Simultaneous with its announcement that it would close its plant in Germany, LSI also said that it would shift the bulk of its wafer fabrication operations - the process of etching circuits onto a silicon wafer - from the US to Japan.

This decision demonstrates that in the US, as well as Europe, certain high-technology manufacturing processes may be coming under threat.

Japanese labour rates are similar to those in the US but productivity is higher, Mr Corrigan says. "This is not because Japanese people work harder, but because of the greater availability of automated semiconductor production equipment," he explains.

Output per hour per person at LSI's Japanese plant is twice as high as at its US plant, Mr Corrigan says. "And our new plant, currently under construction in Japan in a joint venture with Kawasaki Steel, will be twice as productive again."

With a fourfold improvement in productivity, the US plant was at too great a disadvantage. By the mid-1980s, the cost of building semiconductor plants is expected to more than double, to as much as \$1bn, as the complexity of chip manufacturing rises. Even the world's largest semiconductor companies will not be able to afford many new plants, Mr Corrigan predicts.

In response, LSI's strategy is to form partnerships with other chip makers to share the costs of new facilities. Already, Mr Corrigan says, he has found "no shortage of people willing to talk about the possibility."

The output of the next generation of chip plants will be so large that companies in the industry expect that only a few will be needed to meet international demand for semiconductor chips.

The location of these plants is likely to be determined more by regional productivity rates than by the size of local markets. As a result, LSI may be just one of the high-technology manufacturers to give Europe the cold shoulder.

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tion of semiconductors do little to change the economic equation.

"This market is not willing to pay [the added cost] for local production," Mr Corrigan observes. Despite 14 per cent EC import tariffs on semiconductor devices made outside Europe, it is cheaper to produce them elsewhere, for instance South Korea, Hong Kong or Malaysia.

The Pacific Rim economies, and in particular Japan, also enjoy an advantage in the supply of sophisticated machinery for semiconductor production.

Simultaneous with its announcement that it would close its plant in Germany, LSI also said that it would shift the bulk of its wafer fabrication operations - the process of etching circuits onto a silicon wafer - from the US to Japan.

This decision demonstrates that in the US, as well as Europe, certain high-technology manufacturing processes may be coming under threat.

Japanese labour rates are similar to those in the US but productivity is higher, Mr Corrigan says. "This is not because Japanese people work harder, but because of the greater availability of automated semiconductor production equipment," he explains.

Output per hour per person at LSI's Japanese plant is twice as high as at its US plant, Mr Corrigan says. "And our new plant, currently under construction in Japan in a joint venture with Kawasaki Steel, will be twice as productive again."

With a fourfold improvement in productivity, the US plant was at too great a disadvantage. By the mid-1980s, the cost of building semiconductor plants is expected to more than double, to as much as \$1bn, as the complexity of chip manufacturing rises. Even the world's largest semiconductor companies will not be able to afford many new plants, Mr Corrigan predicts.

In response, LSI's strategy is to form partnerships with other chip makers to share the costs of new facilities. Already, Mr Corrigan says, he has found "no shortage of people willing to talk about the possibility."

The output of the next generation of chip plants will be so large that companies in the industry expect that only a few will be needed to meet international demand for semiconductor chips.

The location of these plants is likely to be determined more by regional productivity rates than by the size of local markets. As a result, LSI may be just one of the high-technology manufacturers to give Europe the cold shoulder.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Not worth auditing the auditor

From Mr David Cooksey.

Sir, Observer's suggestion (August 20) that the Audit Commission should take some of its own medicine and be subject to a value-for-money audit was very close to, but a little slow off, the mark. In reviewing our own audit with the National Audit Office earlier this year, we put forward exactly the same proposal. The NAO decided it had more rewarding targets to pursue and declined.

As far as pay and fees go, we are trying to give Mr Norman Lamont a lead. Salaries were increased by 4 per cent in April and we will be proposing a fee increase of less than 2 per cent in November. I make no apologies for Howard Davies's salary rise. It came from my insistence that, for the first time, he should take up his full entitlement to performance-related pay. He richly deserved it.

David Cooksey,
chairman,
The Audit Commission

Base tax on public results

From Mr George Copeman.

Sir, The most effective way to minimise the creative accounting described by Terry Smith in his book, *Accounting for Growth*, is to charge corporation tax based on a company's published accounts, as in Germany.

This point was explored by David Waller ("Germans draw line at two sets of accounts", March 19). The Anglo-American world now has one set of accounts for investors and another for the tax man.

There would need to be an adjustment period of about five years to change to a single set of accounts. But a bonus would be more management attention to real organic growth than to financial engineering.

George Copeman,
Moorpark,
Botts Lane,
Marble Hill,
Pulborough,
West Sussex RH20 2ED

Bottom holds on the Tokyo exchange

From Mr Henry Scott-Stokes.

Sir, When the Tokyo Stock Exchange was last in difficult straits 27 years ago, the method of support was direct intervention by the Bank of Japan. This time, a range of indirect options have been preferred. The result has been similar: the building in of a bottom. Said bottom was put in place by Governor Yasushi Mieno of the BOJ with a few words to the press after the market closed last Wednesday.

The market is not quite what Anglo-Saxons think stock markets ought to be. It looks overvalued judging by one basic criterion - the price/earnings ratio - but only if one makes no adjustment for cross-shareholdings. The p/e ratios cited by Peter Martin ("Good buys, but a risky business", August

22-23) for Toyota Motor and others have to be reduced to almost half the quoted levels, if one judges by the work of long-time resident pundits.

I suspect Mr Mieno's bottom will hold. As to individual stock quotations, Martin perhaps stretched a point when he quoted some unidentified luminary here as stating that "there is no discipline of valuation in the [Tokyo] market". If so, how would one explain that certain Western fund managers have done well over years, consistently so, while others have crumbled?

Henry Scott-Stokes,
c/o Foreign Correspondents' Club of Japan,
7-1 Yurakucho 1-chome,
Chiyoda-ku,
Tokyo 100, Japan

Discounting accounting judgment

From Mr Kenneth R Warren.

Sir, The Chartered Association of Certified Accountants published the wrong conclusion, at a cost of £9.95 to readers of its report, that the Select Committee on Trade and Industry "failed to examine the expenditure white papers and annual reports issued by the Department of Trade and Industry" ("Whitehall papers neglected by MPs", August 21). As committee chairman from 1983 to 1992, I can verify it did. Why the association's researchers did not ask me I do not know. I could have helped them achieve the accuracy accountants require of clients. Kenneth R Warren,
Kenneth R Warren,
Goudhurst,
Kent, TN17 2NN

Quality scheme is necessity not luxury

From Mr John Lane.

Sir, Diane Summers' ("Small businesses criticise quality scheme", August 21) exposes the soft underbelly of British industry. The attitude that "we cannot afford to implement a quality scheme" displays negative thinking.

The correct attitude for any forward looking management should be "we cannot afford not to implement a quality scheme".

The success of any quality scheme depends on senior

managements' embracing the concept of quality and creating a culture within their organisations with which all employees identify.

A formal quality scheme, regularly reviewed to keep pace with changes in the business, is simply the vehicle which allows the company to move towards achieving its quality objectives, whether accredited to BS5750 or not.

Instead of concentrating on calculating the cost of establishing a quality scheme, these

managers should also calculate the cost of poor quality to their businesses.

When the advantages that can accrue from a quality scheme are explained, together with the effect on the bottom line, negative thinkers may undergo a conversion.

John Lane,
managing director,
Thames Technical Services,
33 High Street,
Wraybury,
Staines,
Middlesex TW19 5DA

Marketing strategy before standard

From Mr Sam McCallum.

Sir, You revealed ("Small businesses criticise quality scheme", August 21) that the latest NatWest Quarterly Survey of Small Businesses discovered that many small businesses are, to say the least, disillusioned by the BS5750 quality scheme. Is this surprising when owner-managers of small businesses are encouraged to believe that BS5750 certification is the Holy Grail that solves all marketing problems?

BS5750 needs to be put into perspective. It is important as

part of a business's overall marketing strategy, as are product, price, place, promotion and a number of other factors.

It is a business's market orientation which enables it to gain advantage from opportunities identified and strategies developed.

As a business and management consultant, I would strongly advise owner-managers to think twice about BS5750 and consider how it will fit into their overall marketing strategy. If they have not

reviewed their strategy, they should do so before doing anything else.

Funding is available from the DTI, through its package of support, for 98 per cent of all UK businesses which come within the broad definition of small and medium-sized enterprises (SME).

Sam McCallum,
senior associate,
Creative Associates,
South End Farm,
The Street, Luckington,
Chippenham,
Wiltshire SN14 6NP

SYMPOSIUM ON EC INTEGRATION AND JAPAN

Date: 10th September 1992
(10:00am - 17:00pm)

Venue: Nikkei Hall, 8th Floor, Nihon Keizai Shimbun
(1-9-5, Otemachi, Chiyoda-ku, Tokyo)

Issues to be discussed

- EC Integration and Japan
- The Direction of EC Integration
- The Influence of EC Integration on Japan
- Progress Toward European Integration
- The Emergence of the European Corporation
- The Challenge of Eastern Europe
- Japan in the New Europe

Speakers

H.E. Jean-Pierre Leng Ambassador, Delegation of the Commission of the European Communities	Kenji Samejima Senior Managing Director Nihon Keizai Shimbun	Sir Leslie Fielding Former Head of the Delegation of the EC Commission in Japan
Mary Gregory St Hilda's College Oxford University	Ken Mayhew Pembroke College Oxford University	John Purcell Templeton College Oxford University
Jiro Aiko Senior Managing Director Sony Corporation	Herbert R. Wollghehn Vice President L'Air Liquide	
Coordinator :	Norihiro Mitsunashi Deputy Chief Editorial Writer Nihon Keizai Shimbun	

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4th Floor, Swire House, 14, Ichibancho, Chiyoda-ku, Tokyo 102, Japan
TEL: (03) 3237-8941 FAX: (03) 3239-8566

Closing date for applications: 28th August 1992

George tries a come-back

Ask any American why George Steinbrenner is famous and more than one in a million would reply because he builds ships.

A handful might dimly recall that the foundation of his family fortune, which has been leaking badly for several years, was the American Shipbuilding Company, started by a great grandfather. But, until July 1980, his name was indelibly associated with his ownership and often tyrannical management of the most illustrious name in baseball, the New York Yankees.

Two years ago, Fay Vincent, the commissioner of baseball and a man whose own job is now on the line, ordered Steinbrenner to relinquish his control over the Yankees. It was not because he had fired 19 managers in 18 years - and rehired one of them five times - but because of his association with a known gambler. A few months later he was handed over the helm of his shipyard to a retired vice admiral.

Gone, but coming back. A month ago, Vincent relaxed the ban. From next season Steinbrenner can take control of the Yankees again, which might at least make life interesting for what is now a third-rate side. Meanwhile, Steinbrenner has had to resume command of his shipyard, following the death of the admiral earlier this month. Its fortunes are at an even lower ebb than those of his baseball team, and it may have to file for bankruptcy if the US navy does not provide more money.

Whether Vincent is around to watch Steinbrenner's return to the dugout is moot. He recently decreed that the Chicago Cubs should

henceforth play in the western division of the National League after a lifetime in the east.

The San Francisco Giants are to move to a swamp in Florida. The Seattle Mariners are to be owned by the Japanese. In spite of over increasing gates, at least half the major league sides are said to be operating at a loss.

The owners, even without Steinbrenner, are restless and have summoned Vincent to defend his stewardship of the national pastime. If Steinbrenner behaves as he did in the past, he will probably hire Vincent as the next manager of his shipyard.

Overcharged

Is the "Dianatape" for real? The tabloid newspapers enjoyed themselves yesterday with clues to identifying the mystery couple in the eavesdropped conversation. Buckingham Palace, which is distancing itself from the tape, would doubtless dismiss disdainfully one scurrilous suggestion that it could be genuine, because only someone in receipt of the civil list could afford to spend so much time chatting over a mobile phone.

Back to basics

If only the dear old Trustee Savings Bank had been left to run itself rather than be hijacked by lots of clever types from the City establishment, it would not be in its present unhappy state.

Yesterday saw one new broom - former Amex plastic card whiz Don McCrickard - be replaced at the helm by another new broom, Peter Ellwood, who made his name at Barclaycard. McCrickard had been group chief executive for just over two and a half years, while Ellwood has only been with the TSB for a shade



"We seem to have bottomed out a bit further."

over three years. However good or bad they are, neither has had long enough to prove themselves. The revolving door at the top of the TSB is reminiscent of the Midland Bank at the low point in its fortunes. Isn't it about time that the TSB returned to its roots and hired some old-fashioned bankers. Better still why not promote from within?

Man for the job

The economist from the National Institute of Economic and Social Research whose gloomy views on the UK economy appear in the Institute's latest report is Nigel Pain...

Big spender

Even if your name is CINVEN and you are one of Europe's biggest venture capitalists, isn't it a bit complacent to imagine every potential client knows CINVEN's address, let alone his phone number? Backed by three of the biggest pension funds -

British Coal, British Rail and Barclays Bank - CINVEN certainly has deep pockets. It invests over £250m a year in unquoted investments and has not been shy to publicise its prowess. "If you'd like to know more, we'd like to know you", trill the CINVEN adverts.

Perhaps, the advert is some sort of customer initiative test to weed out the non-starters.

Heavenly

While on the subject of adverts, the New Zealand Immigration Service has been thrilled by the response to its latest bid to boost its population by poaching settlers from the Old Country.

Last year New Zealand granted residence to just over a thousand cases from the UK. After the first three weeks of its latest call for recruits, in a Financial Times advertisement, it has received four times that number in phone calls alone.

The surprise is not so much that 37 per cent of the responses came from the formerly prosperous south-east, but that so many FT readers are thinking of chucking it all in. After all the NZ economy is only starting to show the first glimmerings of revival after eight years.

That's life

However, it is not all doom and gloom. A fellow diner at London's Ritz Hotel restaurant yesterday reports that the number of tables graced by the presence of Scottish Life company actuaries was 18.18 per cent recurring, which sounds better than two tables out of eleven. Admittedly, it was a bit of a slow day at the Ritz, but if Scotland's actuaries can justify a table at the Ritz, then perhaps the good times can't be quite so far away.

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FINANCIAL TIMES COMPANIES & MARKETS

Tuesday August 25 1992

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INSIDE

Maytag plans \$95m shake-up

Maytag, the fourth biggest US domestic appliance maker, yesterday predicted a 33 per cent drop in underlying third-quarter earnings and said it would take a pre-tax \$95m restructuring charge to cover reorganisation in Europe and the US. Page 15

Europe's fall gathers pace

The downward trend on European equity markets is gathering pace as the weakness in the dollar and sterling, and fears of higher UK interest rates undermine investor confidence. Analysts are warning of a further fall of between 5 per cent and 10 per cent before investors can hope for any sort of recovery. Back Page

Waterford in the balance

The Waterford Crystal factory in southern Ireland last week announced its fifth rationalisation plan in as many years involving redundancies, wage cuts, and a five-year industrial peace agreement. Union rejection of the plan could spell the end of the company and Waterford town's greatest tourist attraction. Page 18

Gloomy figures in France

French companies continued yesterday to report lacklustre sales figures with a number of industrial groups reporting flat or falling sales for the first half of the year. Elf Aquitaine, the state-controlled oil group, added to the gloom by announcing a 23 per cent fall in recurring net income from FF4.5bn (\$680m) in the first half of 1991 to FF3.5bn in the same period this year. Page 14

Salmon farmers back in the pink

Norwegian salmon farmers, who produce about half of total Atlantic salmon supplies, are poised for an improvement in their fortunes. Demand for their product is expected to outstrip supply this year, in contrast to last year. Page 20

Portugal tempts foreigners

Portugal's government bond market has rallied in the past two weeks helped by cuts in the intervention rate and the Bank of Portugal's plan to lift all capital controls by the end of the year. The rally has been driven by domestic players, but dealers believe the moves could entice some foreigners back. Page 18

Sell-off hurdles in Argentina

Last month Argentina's government announced that the state was taking a 28 per cent of Aerolineas Argentinas, less than two years ago after it sold 85 per cent of the company. The flop could hardly have come at a worse time for the government which is preparing to sell most state companies before the end of the year. Page 15

Japan's life insurers warned

Japanese life insurers face significant challenges to their financial strength this decade, warns Moody's Investment Service, the US credit rating agency. It points to deteriorating asset quality and higher yields on maturing policies. Page 15

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Chief price changes yesterday

FRANKFURT (DEM)			LSE (Pence)		
Riesse	600	+ 10	L3 Log	315	- 5
Lafayette	600	+ 10	PARIS (FF)		
Pathe	600	+ 10	Acia	705	- 61
Adia	670	- 45	East Oney	582	- 52
Continental	225	- 12.5	Orla-Schlagge	360	- 20
Dacia (Fr)	70	- 5	Hachette	110	- 6
Hachette	231.8	- 7.9	UAP	358.9	- 17.1
Schindler Lubex	331	- 14	UAP Local	220	- 12
NEW YORK (\$)			TOKYO (Yen)		
Riesse	4 1/4	+ 1/4	Riesse	370	+ 80
Windsor Bancorp	315	- 5	Banque Hong Li	420	+ 85
Falls	39	- 1/2	Nikon	401	+ 80
Auto	62 1/4	- 2 1/4	Nippon Hong Li	401	+ 80
Anglo	51	- 1/2	Pathe	400	- 40
Cigna	51	- 1/2	Fuji Electric	330	- 20
Dair	51	- 1/2	Mitsui Bussai	330	- 20

LONDON (Pence)

Riesse	10	+ 5	Kingfisher	430	- 23
Aerospace Eng	155	+ 7	P & O Dair	317	- 14
Bosmore	348	+ 7	RAIC	447	- 13
Subs (H)	348	+ 7	Redland	381	- 22
Falls	281	- 16	Rainers	1017	- 27
Bardays	502	- 19	Royal Ince	145	- 18
Cable & Wire	195	- 12	Rugby	176	- 10
Cy-Site-Fris	36	- 5	Smith (H)	354	- 13
Countdown Tr	379	- 15	San Alliance	225	- 15
Ford Dair	715	- 78	Tristalgia	43	- 5
Genl	324	- 14	Vodafone	300	- 16
Glaxo	701	- 29	Waykey (G)	99	- 13
ICI	1089	- 29			

Talks break down between Norwegian insurer, government and creditors

Uni Storebrand shares suspended

By Karen Fosell in Oslo

TRADING was suspended yesterday on the Oslo bourse in the shares and bonds of Uni Storebrand, the beleaguered Norwegian insurer, following a collapse in talks between the company, creditors and finance ministry officials.

The board was working last night to prevent the holding company falling under the administration of the Banking, Insurance Securities Commission, the finance regulator.

The suspension coincided with the disclosure that Uni's holding

company is suffering an acute liquidity crisis brought on by Nkr3.6bn (\$629m) in short-term loans used to finance the company's failed raid on Skandia Forsakrings, Sweden's biggest insurer.

Uni last year paid Nkr4.7bn to acquire a 28.3 per cent stake in Skandia but its efforts to force the Swedish insurer into a pan-Nordic insurance alliance were prevented by limited voting rights and Skandia's refusal to co-operate.

Uni confirmed yesterday that the holding company had paid

million kroner" due to creditors this week and further payments due in about two weeks.

Prime Minister Gro Harlem Brundtland was briefed yesterday by Mr Sighjoern Johnsen, the finance minister, on Uni's financial problems.

But, apart from acknowledging hectic meetings at the weekend between Uni, finance ministry officials and banks, the government has so far distanced itself from direct intervention. It has said that Uni's problems cannot be compared with last autumn's bank sector crisis when the state transferred Nkr8bn to prop up

the banks. The finance ministry said Uni's problems had to be solved by the company, its owners and creditors and declined to comment further.

The finance ministry during the weekend had sought to convince Den norske Bank, Christiania Bank and Sparbanken Nor - known internationally as Union Bank of Norway - to provide Nkr500m each in loans to Uni. Talks are understood to have broken down on the government's refusal to provide guarantees for the loans.

Uni's board met yesterday to determine its options to solve the

holding company's short-term liquidity problems which threaten plans for a Nkr2bn rights issue due this year.

Nominal value of Uni's A-shares is put at Nkr20, but they were last traded last Friday at Nkr13.30. Uni refused to comment on whether the company was considering writing down the value of its shares below the nominal price.

The company stressed yesterday that the crisis in the holding company did not affect the group's life insurance, non-life and international businesses. Pohjola results. Page 14

Rothschilds to bolster bank in Zurich

By Ian Rodger in Zurich

THE shareholders of Rothschild Bank in Zurich (RBZ) will inject new capital into the bank following the discovery of larger loan losses than previously reported.

Sources close to RBZ also confirmed yesterday that loans made by the bank to companies in the troubled York Hanner property group led by Mr Karsten von Wersebe infringed a Swiss Banking Commission regulation.

The regulation requires that no more than the equivalent of 20 per cent of a bank's own capital be lent to a single creditor on an unsecured basis.

Some RBZ loans to York Hanner companies were secured, but the security turned out to be without value.

The loans are believed to total \$54m (\$25m).

The source said that Mr Jürg Heer, a former RBZ senior executive who was arrested in Zurich early this month on charges related to his conduct at the bank, knew that the loans to these companies were being made, in essence, to one group.

Last month, the bank revealed that a recent credit review had found that some loans were not fully covered and so it quadrupled its annual provisions in the year to March 31, 1992 to Sfr59.5m (\$76m).

It also dissolved its Sfr63.5m in hidden reserves "as a safety measure".

The source would not reveal the level of the bank's capital or the amount of the loans made to York Hanner companies.

He denied reports in Zurich that the total of RBZ's bad loans was in the vicinity of Sfr325m. Even if all questionable loans turned out to be bad, the total would be "considerably less" than that.

He acknowledged that the bad loans total was higher than the amount provided for in the 1991-92 accounts, but it was less than the level of the bank's total capital.

Nevertheless, new capital would soon be put in to the bank by its shareholders, the source said.

A majority of the shares in RBZ is held by Rothschild Continuation, the Swiss holding company which is controlled by the London Rothschild family.

The Paris Rothschild family and Mr Edmond de Rothschild of Geneva also hold minority stakes.

UK bank replaces top manager

David Barchard and Robert Peston on changes at TSB



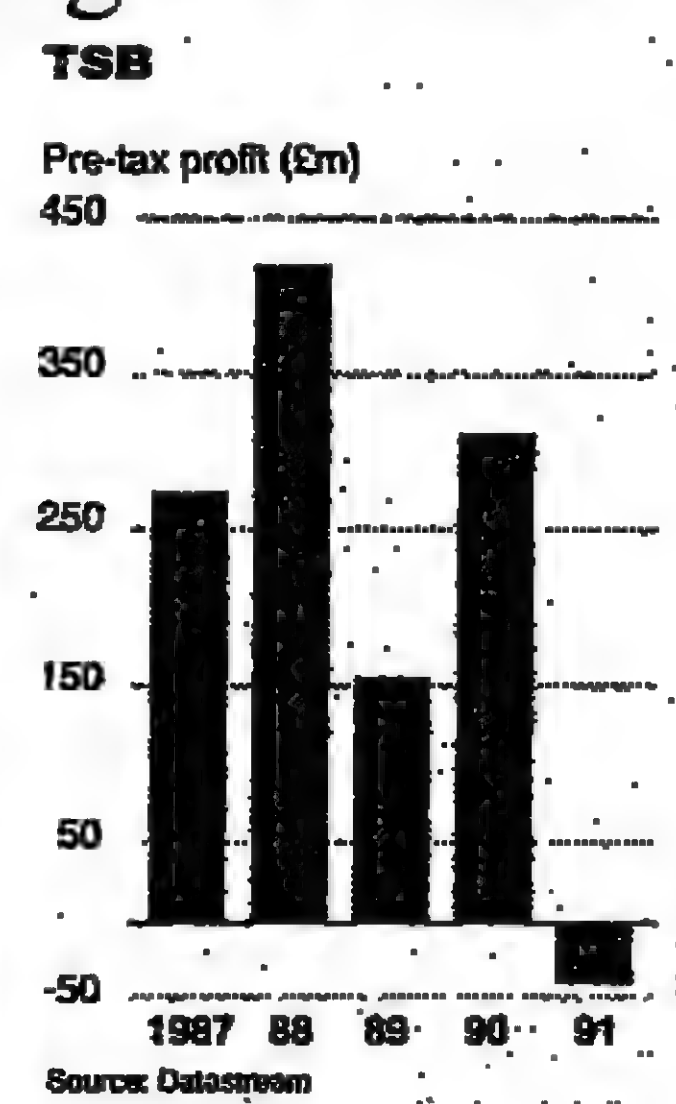
Peter Ellwood



Don McCrickard



Kevin Gavaghan



Mr Don McCrickard is resigning as chief executive of TSB Group, the UK bank. His departure is the second in recent weeks by one of the senior marketing executives recruited by UK banks from outside the industry in the late 1980s. It reflects the way the banks are shifting their emphasis to a more traditional approach to cutting costs and widening margins.

Mr McCrickard has faced criticism from past and present TSB employees in the wake of the group's 1991 financial results, when it made a loss of £47m. These losses stemmed from bad debt provisions totalling £432m on commercial loans made by its Hill Samuel subsidiary.

Sir Nicholas Goodison, TSB's chairman, said there was "no implication of criticism" in the circumstances of Mr McCrickard's departure. He said that more than six months ago he and Mr McCrickard had come to an understanding that "the task of the chief executive" was about to "substantially change".

Sir Nicholas said that the TSB Group board had approved the change three weeks ago.

Mr McCrickard is to be replaced by Mr Peter Ellwood, a former chief executive of Barclaycard, who is currently responsible for the group's retail banking and insurance operations.

Since TSB came to the stock market in 1986, almost every senior executive has been replaced. Mr Ellwood said that his promotion to group chief executive would lead to another management reshuffle, involving "some elements of fusion between head office in London and the retail bank's head office in Birmingham".

Sir Nicholas praised Mr McCrickard's achievements, which "included radical changes

to the management structure of the group, the reversal of strategic direction from a 'broadly based financial services group'... and substantial changes to top management".

But Sir Nicholas said that Mr Ellwood - whose expertise is in retail banking, TSB's main business - had become more suited to the role of group chief executive, now that the management structure has been simplified.

Mr McCrickard joined TSB in 1983 and became a group board director in 1987. A marketer par excellence, Mr McCrickard cut his teeth as a businessman in Procter & Gamble and American Express, rather than a provincial bank branch.

He devised the "That'll do nicely" catchphrase which propelled the Amex green card to market leadership in the 1970s and 1980s. Under Mr McCrickard,

TSB became "The bank that likes to say yes". As he rose to the top in TSB, almost all the leading figures of the pre flotation regime were swiftly removed and replaced by a new generation of appointees.

A series of restructuring operations converted an unwieldy patchwork federation of 70 savings banks and other companies into a clearly defined group, with distinct divisions dominated by a centralised retail bank.

In his first year as group chief executive, 4,000 jobs were scrapped. Weak subsidiaries were either sold, such as the Target Insurance Group, or closed. The group emerged with its cost base under much firmer control and able to compete with the other clearers.

However, hardly had TSB retail bank become more efficient than

things started to go seriously wrong at Hill Samuel, the loss-making merchant bank which TSB had bought for £77m in 1987.

The problems of Hill Samuel over the last year contrasted with a record of steady profitability at TSB Retail Bank.

Yesterday Mr Ellwood announced three priorities for TSB: to generate a sustainable income through good value for money products; to press ever harder for cost control; and manage risk better.

Sir Nicholas Goodison, TSB's chairman, said Mr McCrickard would "receive compensation within the terms of his contract". His annual pay, in a three year rolling contract, is £245,000, so compensation could approach £750,000.

In addition, Mr McCrickard has 655,000 shares under option. How-

ever TSB's share price has performed relatively badly in the five years since the first big grant of options was made to him.

At yesterday's TSB share price of 129p, unchanged on the day, the options were showing a notional profit of approximately £20,000.

Mr McCrickard's departure comes a few days after the resignation of the other arch-marketeer in 1980s UK banking, Mr Kevin Gavaghan, the marketing director of Midland Bank. He devised Midland's widely promoted accounts, under names such as Vector and Meridian.

"The banks and the building societies are suffering from a squeeze on their margins which is forcing them all to reconsider their approach," says Mr John Cheese, marketing director of Barclays Bank.

Observer, Page 11

Foreign banks press for full repayment of loans to Efim

By Sara Webb in London and Haig Simonian in Milan

FOREIGN banks which lent to Efim, the Italian state holding company put into voluntary liquidation last month, plan to demand full repayment of their loans at their next meeting with the Italian Treasury.

Banks representing the international banking syndicates in London stressed their determination to press for full repayment of the loans on which Efim defaulted when they met representatives from the treasury and the Bank of Italy next week.

However, it is clear each side is trying to play a strong hand ahead of the talks. In Italy, reports have circulated that postponement of the meeting, originally expected this week, stemmed partly from differences

among foreign bank creditors. Japanese institutions are said to be particularly hawkish about full repayment, but Italian officials say some US and UK banks are more flexible.

The Italian treasury announced earlier this month bonds would be issued to cover Efim's borrowings. However, to the annoyance of the foreign banks, interest rates on the bonds have been set below market levels.

Treasury officials have hinted they may be prepared to negotiate in the hope of reaching a compromise, but foreign banks said yesterday they wanted full repayment.

"The banks want repayment in full as we don't want to suffer a loss in terms of capital," said one agent bank. "We're not discussing a percentage loss, we feel we should not take a loss at all."

The five-year lira bonds would pay interest at 7.25 per cent annually, while those in ecu would have a 4 per cent coupon. One banker said: "We're being offered an ecu bond paying 4 per cent whereas under normal conditions a five-year ecu bond for Italy would be expected to have a coupon of just over 8 per cent."

The difference in interest rates between the bonds and market levels means creditors will receive only about 80 per cent of the principal and interest that would otherwise have been due.

Efim and its subsidiaries signed several syndicated borrowing facilities with foreign banks. In some cases the wholly owned subsidiaries were able to borrow at competitive rates on the strength of the Efim - and hence Italian state - name, the bankers claim.

Lep spells out pattern of big losses

By Jane Fuller in London

LEP Group, the UK freight forwarding and security concern, incurred large losses partly because of a pattern of providing funding for new ventures disproportionate to its share of the equity.

The catalogue of losses was spelt out to shareholders yesterday at an extraordinary general meeting called to approve a financial rescue.

Among the unfortunate ventures were commercial property development in California, garment companies in the US, Hungary and Malta, and a Tanzanian gold mine.

Often the group had only a minority stake, but a disproportionate liability to provide financial support. Other losses ran to the duty payable on vodka and

cigarettes for Soviet soldiers in the former East Germany and the loss on the sale of the company's Lear Jet.

The details of how Lep slid into more than £500m (\$1bn) of net debt and £109m of negative shareholders' funds were delivered by Mr David James, chairman.

The rescue proposals, which entail about 25 banks swapping £180m of debt for 85 per cent of the restructured company, were approved.

Last year Lep incurred a loss of £235.1m after £219.4m of exceptional and extraordinary charges. The biggest write-off was the entire US property portfolio, previously valued at £83.4m.

Mr James again warned shareholders that failure to approve the restructuring proposals would lead to the group being wound up.

Among those who would suffer would be the 10,448 employees, trade creditors owed tens of millions of pounds and the company's pensioners. The pension fund's purchases of assets from the company had included an office called Coombe Hill House. Its downward valuation had exposed the fund to a potential deficit of about £6m had the company been wound up. Its continuance left a deficit of less than £1m, which would be restored over the next three years.

ADT, the security group which built up a 27 per cent stake in Lep and has written off £55m as a consequence, abstained in the vote. Mr David Hammond, its deputy chairman, suggested the banks should "take more pain" as they had not written off any money. Tough task, Page 17

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INTERNATIONAL COMPANIES AND FINANCE

Elf tumbles 23% at interim stage

By Alice Rawsthorn in Paris

ELF AQUITAINE, the state-controlled French oil group, yesterday added to the gloom in France's corporate sector by announcing a 23 per cent fall in recurring net income to FF3.3bn (\$576m) in the first half of 1992 from FF4.3bn in the same period in 1991.

The fall reflects the depressed tone of the stream of first-half results from French companies.

Elf announced its interim

results after the market closed and its share price slipped by just FF6.4 to FF309.3 during the day.

The company, one of the first candidates for the French government's partial privatisation programme with the FF2.06bn sale of 2.3 per cent of its shares, was hit in the first half by the general climate of economic uncertainty, together with the weakness of the US dollar and of refined oil prices.

Group sales rose to FF98.86bn from FF92.73bn

but operating income slipped to FF7.91bn from FF8.87bn (including an exceptional profit of FF1.01bn on the sale of Esys).

Earnings per share fell to FF13 from FF21.

The strongest area of activity was exploration and production where operating income rose to FF5.06bn from FF4.64bn, chiefly because of an increase in crude oil production sold and a reduction in exploration expenses.

The only other division to muster an increase in income

was human health with a rise to FF9.16bn from FF7.21bn.

The refining division saw operating income fall to FF580m from FF2.69bn (including the Esys profit), reflecting the reduction in margins during the Gulf war in the first quarter of last year.

Chemicals also suffered from a fall in margins, but limited the fall in income to FF1.31bn from FF1.88bn. The elimination division reported a reduction in income to FF4.3m from FF5.3m.

Linde turns in 3.1% advance at half-time

By Andrew Fisher in Frankfurt

LINDE, the diversified German industrial company, yesterday reported a 3.1 per cent rise in pre-tax profits during the first half of 1992 to DM243m (\$152m) and said it expected another satisfactory result for the full year.

Group turnover during the period rose by 12.5 per cent to DM3.5bn and Linde said the figure for all of 1992 should be at least 10 per cent higher than in 1991. Orders were up by 7.2 per cent to DM3.7bn, with the backlog at the end of June totalling DM5.5bn, 11 per cent above the level at the start of the year.

In the group's biggest division, materials handling, turnover eased by 1.4 per cent in the first half to DM1.55bn. Linde said domestic demand remained strong, but some foreign markets weakened.

The company has announced plans to buy control of an Italian company in this sector, Fiat OM Carrelli Elevatori, which has a turnover of DM319m and employs 1,150 people.

Linde's industrial plant operation registered a 29 per cent rise in turnover to DM516m, despite weak investment activity in the chemical and petrochemical sectors. Sales of refrigeration systems were 13 per cent higher at DM408m, with a 36 per cent jump in industrial gas turnover to DM983m, partly reflecting the purchase of a majority stake in Hoechst, a Dutch gas company.

Linde said its investments this year would be about DM711m in 1991.

● HAKO, the electronics retailer, lost DM13.5m in the first half of 1992, compared with a loss of DM22m in the previous corresponding half. Router reports from Frankfurt.

Mr Hans Kompers, management board chairman, said the loss from operations and restructuring measures was DM12.7m. The remaining loss came from write-downs in the value of shares and dollars held.

Atlas Copco goes ahead to SKr603m at six months

By Robert Taylor in Stockholm

ATLAS COPCO, Europe's largest air compressor manufacturer, yesterday reported a 32 per cent increase in profits (after financial items) for the first half of the year to SKr603m (\$110m) from SKr458m for the same period of 1991.

Sales climbed by 5 per cent at the same time to SKr7.87bn from SKr7.50bn, while orders rose by 4 per cent to SKr8.57bn from SKr8.24bn. Operating

profit increased by 32 per cent to SKr603m from SKr458m.

Earnings per share increased to SKr17.45 from SKr13.60, a rise of 28 per cent.

The return on capital employed over the past 12 months was 14.3 per cent, up from 12.9 per cent, and on shareholders equity 9.8 per cent from 7.8 per cent.

The company reaffirmed an earlier forecast of an improvement in annual profits.

It added that an increase in orders was expected as a result

of its acquisition of AEG's power tools operation from January 1 this year.

Despite its strong performance, Atlas Copco said the market for its industrial products continued to be weak with a slight reduction in orders in Germany, which is now its single largest market.

There was a marginal improvement in the US but in Asia the sales trend remained strong although a slow down in demand was noticed in Japan and South Korea.

French results present gloomy picture

By Alice Rawsthorn

FRENCH companies continued yesterday to report lacklustre sales figures with a number of industrial groups, including Compagnie de Navigation Mixte, reporting flat or falling sales for the first half of the year.

Navigation Mixte, which has interests in finance, food and aeronautics, saw its sales suffer a negligible increase of less than 1 per cent to FF8.71bn (\$1.74bn) in the first six months of 1992 from FF8.63bn in the same period of 1991. This

means its interim turnover fell below inflation, now running at an annual rate of around 3 per cent in France.

During the half Navigation Mixte, in common with many other French companies, was affected by the sluggish state of France's economy. Low inflation has helped French exporters to win back market share in the international sphere, but their domestic market has been depressed by the high cost of borrowing which has curbed industrial investment and dented consumer confidence.

The CAC 40 Index, which has fallen sharply recently due to the dollar's decline and nervousness about the outcome of next month's Maastricht referendum, as well as the poor interim results, yesterday fell again by 3.12 per cent to reach its lowest level so far this year of 1,690.

Several other French groups yesterday disclosed disappointing interim turnover figures. Gerland, the clothing company acquired by BP France, announced a 2.3 per cent fall in turnover to FF1.96bn in the first half. Guyomarch, the food

and agricultural products group, saw sales fall by 1.8 per cent to FF3.42bn in the first six months of the year.

Métrologie International, the specialist information company which had warned the stock market it expected a FF60m interim loss this year, reported an 18.1 per cent reduction in first-half sales to FF1.74bn. Nord Est, one of the holding companies associated with the Paribas banking group, made sales of FF1.93bn in the first half of 1992, after making several disposals since last year.

Rabobank growth slows to 2.6% in first half

By David Brown in Amsterdam

RABOBANK, the co-operative bank with strong roots in the Dutch agro-business sector, yesterday reported a modest 2.6 per cent rise in first-half net profit, marking a further slowdown in growth.

Net profit advanced to F1544m (\$340m) from the F1530m reported for the same period last year.

The Netherlands' second-largest bank, Rabobank forecasts full-year profit will rise only "slightly" over the F12.18bn level reported for 1991, with higher funding costs putting profit margins and interest income under further pressure.

Total income rose 7.3 per cent to F13.47bn. The rise in

costs was 8.6 per cent to F12.29bn, primarily due to previously agreed pay settlements in the banking sector.

Helped by higher volumes and income from commissions, profit for the six months advanced by 4.8 per cent to F11.17bn, a result directors described as "satisfactory" in light of moderate economic growth and unfavourable interest rate developments.

Lending to the private sector rose by F15bn during the first half to reach F142.7bn, and Rabobank expects "a lower but still not insignificant expansion in the business volume" for the rest of the year.

The bank put its balance sheet total at the end of June at F122.4bn, against F121.7bn at the end of 1991.

Stad Rotterdam profits creep up to F142.5m

By David Brown

STAD Rotterdam, the medium-sized Dutch insurance group which is heavily dependent on the domestic market, yesterday reported first-half net profit up 3.9 per cent to F142.5m (\$36.23m) from F140.9m.

Group income rose 7 per cent to F113bn from F112bn and earnings per share stood virtually unchanged at F1.61 against an adjusted F1.60 for the same period a year earlier.

Stad Rotterdam suffered from more frequent and expensive claims in the non-life sector, largely from motorists.

The group expects an "adjustment" in premium rates will be necessary during the

second half. Despite difficult conditions, Stad Rotterdam generated higher business volume and reported a 7.1 per cent advance in premium income to F147.2m.

Profit in non-life operations fell by 4.2 per cent to F16.6m. The situation in motor insurance is not expected to improve before next year.

In the life insurance sector, premium income advanced 2.9 per cent to F150.7m, but profit climbed 9.6 per cent to F19.3m.

Income from investments was up 14 per cent to F132.4m, and the group also reported an upturn in profitable mortgage business. Stad Rotterdam reiterated its caution that 1992 earnings per share will be unchanged from the F13.44 of last year.

Trygg-Hansa declines 24%

By Robert Taylor

TRYGG-HANSA SPP, the Swedish insurance group, yesterday reported a 24 per cent drop in operating profit for the first half of the year to SKr894m (\$170m), down from SKr1.17bn for the same period of 1991.

But at the same time its subsidiary, the Gota financial group, announced a huge SKr1.1bn loss for the same period, compared with a SKr907m deficit for the first six months of last year.

After a SKr969m injection from a financial insurance package created by Trygg-Hansa this summer to save Gota from collapse, the loss was much less than the SKr2.08bn it would otherwise have been. Gota Bank suffered a SKr894m financial loss in the

first half compared with SKr689m for the same period of 1991.

In its property and casualty insurance business Trygg-Hansa SPP increased its income from premiums to SKr3.85bn from SKr3.58bn. Insurance claims increased by 16 per cent to SKr3.14bn from SKr2.71bn due mainly to higher losses in reinsurance but also to a large business volume.

Operating expenses amounted to SKr1.008bn, up from SKr979m. The operating profit amounted to SKr647m, down from SKr1.499bn for the first six months of last year. The fall was blamed on falling share prices.

The main difficulty for the insurance company will continue to lie with Gota which it took into ownership this sum-

mer and which forms part of its banking and finance operations.

From the end of last June Gota has been a subsidiary of Trygg-Hansa SPP and its financial results will be consolidated.

Credit losses have been much larger than those sustained by other Swedish banks but with Trygg-Hansa SPP's support it looks in better shape to weather the storm than other commercial banks.

The value of Trygg-Hansa SPP's real estate portfolio declined by 5 per cent in the first six months to SKr159m.

Earlier this month Trygg-Hansa SPP announced a new share issue of not more than SKr2.525bn at SKr26 per share with the subscription period running from September 14 to October 13.

Finnish group suffers FM105m operating loss

By Robert Taylor

POHJOLA, Finland's biggest insurance group, suffered an operating loss of FM105m (\$26.2m) in the first half of the year, it reported yesterday. It made a FM1m profit for the same period of 1991. Net investment income dropped to FM224m from FM317m.

The group said it would make a further loss this year. It blamed its first-half deficit on "the unfavourable develop-

ment of foreign and domestic credit insurance, unrealised losses on investments and the still low level of realised gains".

The group is affected by the wider Nordic insurance company crisis that has hit Unit Storebrand and Hafnia Holdings. With a 10 per cent stake in Skandia, Sweden's severely troubled insurance conglomerate, Pohjola faces further uncertainty in the coming months.

Hungarian glass company fails

SALGGGLAS, Hungary's state-owned glassmaker, has failed to reach an agreement with creditors and will be liquidated, Mr Sandor Toth, chief executive, said. Reuter reports from Budapest.

Salggglas - Hungary's sole maker of automotive glass and a major exporter of sheet glass - sought bankruptcy protection in April to seek a way of settling its debt of 13bn forints (\$17m), half of which is owed to four local banks.

Nestlé's Holdings Limited

Incorporated in Nassau (Bahama Islands)

Notification to the holders of warrants issued by Nestlé's Holdings Limited, Nassau, in connection with the bond issues mentioned below

The Extraordinary General Meeting of shareholders of Nestlé S.A. held on 18th August, 1992 has resolved, as proposed by its Board of Directors, to split the existing registered and bearer shares of Sfr. 100 nominal value each into ten new registered and bearer shares of Sfr. 10 nominal value each.

Based on the above resolution and in accordance with the respective terms and conditions of the warrants, the Exercise Price (as defined in the terms and conditions of the respective warrants) and the number of Nestlé S.A. registered shares (the "Shares") deliverable upon exercise of the respective warrants (the "Entitlements") will be adjusted as follows:

A. Warrants issued in connection with:

US\$ 200 000 000
Nestlé Holdings, Inc., Wilmington, Delaware, USA
6% Bonds due 1998

61.5 Warrants entitle the holder thereof to acquire ten Shares of Sfr. 10 nominal value each at a price of Sfr. 775. - per Share, until 1st March, 1994.

B. Warrants issued in connection with:

US\$ 200 000 000
Nestlé Holdings, Inc., Wilmington, Delaware, USA
5 7/8% Bonds due 1998

60 Warrants entitle the holder thereof to acquire ten Shares of Sfr. 10 nominal value each at a price of Sfr. 920 per Share, until 30th November, 1994.

The new Exercise Prices and Entitlements will be effective as of 1st September, 1992.

25th August, 1992

Nestlé's Holdings Limited, Nassau

All the securities have been sold, this announcement appears as a matter of record only.

New Issue, August 1992



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Undated Floating Rate Notes
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Interest Rate 3.56% per annum
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Interest Period 24th August 1992
24th February 1993

Interest Amount due
24th February 1993
per U.S. \$ 10,000 Note U.S. \$ 181.96
per U.S. \$250,000 Note U.S. \$4,548.89

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Purchased Price for Electricity by Energy

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Recession forces \$95m shake-up at Maytag

By Karen Zagor in New York

MAYTAG, the fourth biggest US domestic appliance maker, yesterday predicted a 33 per cent drop in underlying third-quarter earnings and said it would take a pre-tax \$95m restructuring charge to cover reorganisation in Europe and the US.

Mr Leonard Hadley, chief executive, blamed the erosion in earnings on "continued losses in Europe, extra start-up costs associated with the new dishwasher facility and the new Magic Chef ranges".

In addition he said the group was hurt by "the stalled US economic recovery and fierce competition in the appliance and floor-care industries both here and abroad".

Although analysts had expected a slowdown from Maytag's strong first-quarter growth, yesterday's announcement took Wall Street by surprise. The shares were halted in the morning and had not resumed trading at midday.

In the 1991 third quarter, Maytag earned 23 cents a share and most analysts had expected earnings of about 27 cents

in the same period of this year.

The company's balance sheet has been weakened by a string of large acquisitions in the 1980s, including Magic Chef in a \$736m stock swap and Hoover for \$961m in cash and stock, which significantly increased its debt burden. In addition, Maytag has been hit by the impact of the recession on the appliance industry.

In a move to conserve cash, the company cut its dividend in February 1991 for the first time since 1946. Mr Hadley said the reorganisation was "an investment in our future, and

we expect to recover the charge in approximately three years through improved earnings".

The company said its Hoover operations have been losing money, largely because of excess capacity and the deterioration of economic conditions in the UK and other European countries.

"In the past two years, we have implemented significant cost reduction activities throughout our Hoover Europe operations," Mr Hadley said, "but further reorganisation is necessary. Over-capacity is

prevalent in manufacturing throughout Europe, and Hoover is no exception."

He added that the reorganisation would be aimed at reducing production capacity and streamlining sales, marketing, administrative and distribution operations in Europe.

In the US, Maytag plans to consolidate the sales, marketing and most financial and information systems functions of its Magic Chef division into its Jenn-Air division. Its Hoover operations in North America will also be involved in the reorganisation.

Honeywell settles suit with Nikon

Nikon will pay Honeywell, the US controls group, \$45m to settle a lawsuit involving the Japanese camera maker's use of patented auto-focus technology, according to a report filed with Japan's Ministry of Finance. AP-14 reports from Tokyo.

The Nikon-Honeywell agreement covers the Japanese camera maker's use of the patented technology in cameras from March 1986 through to March this year. For the ensuing period, Nikon will pay an undisclosed amount in royalties until the respective expirations of the patents.

Honeywell brought the suit on March 3 against Nikon and several other photographic equipment manufacturers. Japan's Canon, in a related but separate move, reported last week that it had reached agreement with Honeywell to settle their legal dispute. The two companies declined to comment on the details, but the pact is reported to involve the cross-licensing of products, positioning Canon to make a profit in the long run.

Mr Shigeo Ono, Nikon's managing director, said the sparsity of overlap between his company's and Honeywell's business activities precluded such an arrangement.

Japanese insurers warned by Moody's of challenges ahead

By Emiko Terazono in Tokyo

JAPANESE life insurers face significant challenges to their financial strength this decade, warns Moody's Investment Service, the US credit rating agency. It points to deteriorating asset quality and higher yields on maturing policies.

The problems of Japanese life insurers, once among the most formidable investors in the domestic and international markets, come as Japanese financial institutions are being forced to cope with the aggressive growth of the 1990s.

The agency said the ratings of Japanese life insurance companies were under downward pressure in the longer term.

In the light of this Moody's said it was reviewing the financial strength rating of three leading life insurers, Meiji Mutual Life Insurance, Sumitomo Life Insurance, and Dai-ichi Mutual Life Insurance, for possible downgrades from their current ratings of Aaa.

The sharp fall in the stock market has had an impact on insurers since the unrealised gains on their stock holdings, which served as buffers by absorbing losses on investments, has declined sharply.

This has led them to cut sharply the level of new investments in high-risk products, such as stocks and foreign securities.

The life insurance companies also have significant exposure to the faltering domestic property market, through loans to corporations and non-bank financial institutions.

In addition to their problems in the 1980s, life insurers have increased investments in foreign securities and real estate, making portfolios vulnerable to foreign currency movements.

The deterioration of asset quality also comes as the companies face redemptions of the investment type insurance products with higher yields.

Moody's estimates that some ¥10,000bn (\$79.2bn) of investment type products sold in the 1980s, will mature between this year and 1996. It says that while the life insurance companies have significant liquidity and cash flow, large fund withdrawals will squeeze profitability.

The life assurance industry, one of the country's most tightly regulated financial sectors, also faces pressure from the deregulation.

Costly flying lesson for the Argentines

John Barham and Peter Bruce examine the part renationalisation of Aerolíneas

THE COLLAPSE of Argentina's first privatisation could hardly have come at a worse moment. Last month, Mr Domingo Cavallo, Argentina's economy minister, announced the state was taking back 28 per cent of Aerolíneas Argentinas, raising its stake in the national airline to 33 per cent.

Less than two years ago it sold 85 per cent of the company to a consortium led by Spain's Iberia for \$810m.

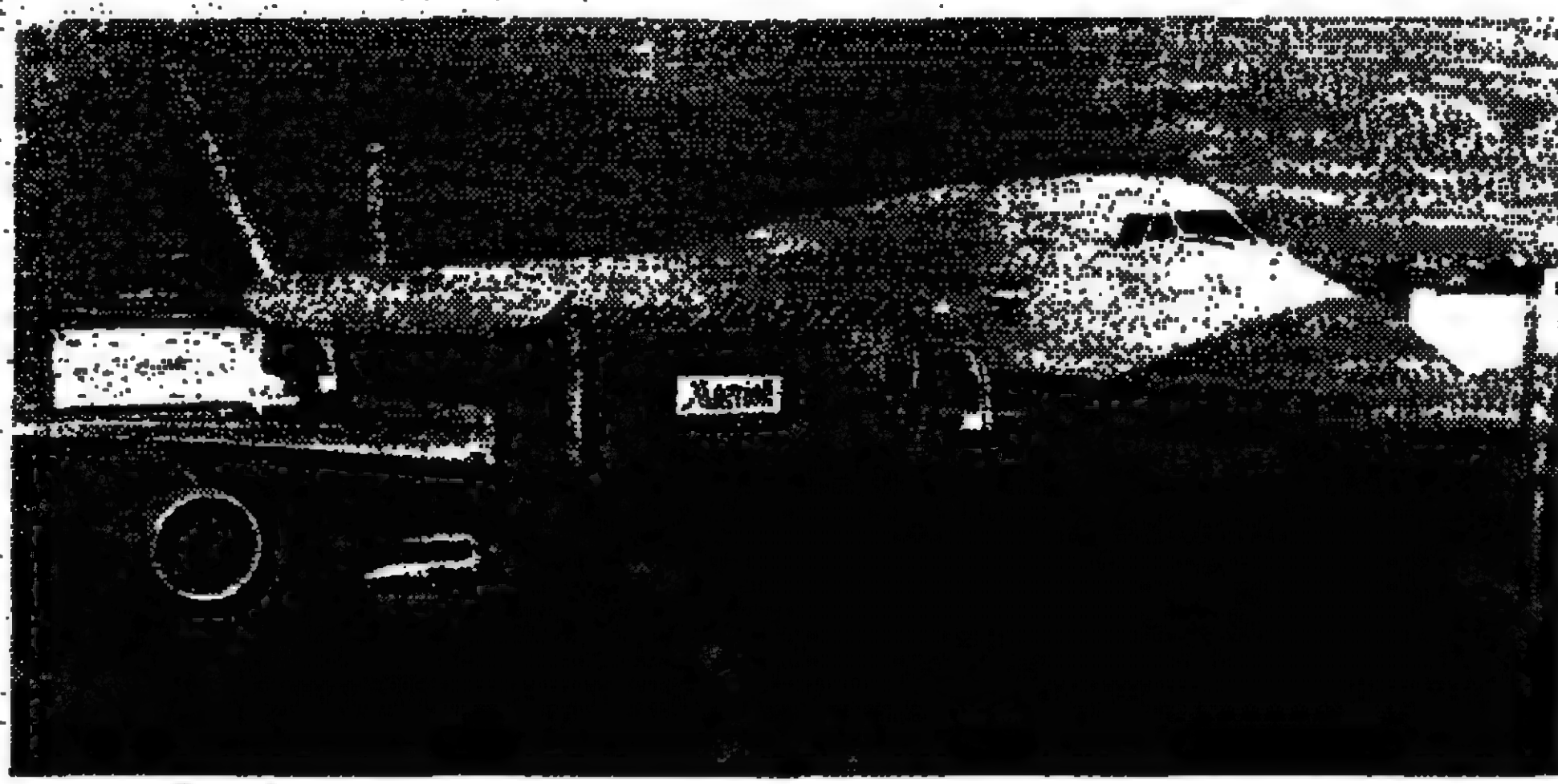
The Aerolíneas flop casts a long shadow over the government's privatisation policies as it gears up to sell nearly all its state companies before the end of the year.

The affair also raises questions about Iberia's expansion strategy of acquiring privatised Latin American airlines. As well as 30 per cent of Aerolíneas, Iberia owns stakes in airlines in Chile, the Dominican Republic and Venezuela.

A day after the partial renationalisation of Aerolíneas came the European Community's approval for a Spanish government injection of \$1.26bn into Iberia, which has accumulated pre-tax losses of \$1.07bn since 1980.

The losses were mainly caused by fleet expansion and a downturn in tourist flights to Spain, but empire-building in South America hardly helped the bottom line. Nonetheless, Iberia may still bid for more Latin airlines.

The Aerolíneas privatisation was flawed from the start. Iberia was the only bidder for the company. Its local allies were a group of businessmen which included a funfair pro-



Glyn Genth

Reverse thrust: the change of direction casts a shadow over the government's privatisation plans

prietor and the owner of Austral, Argentina's only other main airline.

The sale contract was signed in the dead of night after being repeatedly renegotiated and amended, leading to confusion over the text's meaning.

Although the government won a high price for the airline, it placed a heavy financial strain on the buyers, especially the under-capitalised local investors. Initially it did not allow them to sell, lease or even use Aerolíneas aircraft as collateral for bank loans.

Still, the buyers managed to finance the acquisition with debt, rather than through a debt-equity swap with foreign creditor banks. Soon, all but two Argentine investors abandoned the consortium, leaving 21 per cent of Aerolíneas in the hands of three Spanish banks and an anonymous Argentine living in Spain.

Among those forced out was Mr Enrique Pescarmona, formerly a majority shareholder of Austral. He had used his Austral shares - itself privatised a few years earlier - to pay for his Aerolíneas shares.

The result is that Aerolíneas now fully owns Austral, giving it a virtual monopoly over domestic air transport.

Then the consortium began arguing with the government over the sale price and payment terms as its debt load overstretched its finances.

At almost every turn, the government made concessions. But in the end it still had to take back the shares of the insolvent Argentine buyers. Mr Horacio Liendo, chief government negotiator, says that when the government took back their shares, the consortium still owed it \$90m.

The government took up new equity issued by Aerolíneas

but left unsubscribed by the Argentine investors, by cancelling \$21.7m of that debt. Aerolíneas will issue more shares worth more than \$145m this year.

Instead of paying cash, the government will maintain its 33 per cent stake by cancelling the remaining \$61.8m in debt. The deal will preserve the value of the government's original 5 per cent holding in the company, whose net worth has shrunk to \$380m from \$633m.

Mr Amadeo Riva, the company's Argentine president, says the endless arguments prevented him from concentrating on running the airline.

He says that persistently rising costs and overstaffing are the main problems at Aerolíneas.

Mr Liendo says rescuing Aerolíneas - rather than

allowing it to crash, or scrapping the privatisation and starting from scratch - protected the value of the government's shareholding. However, the Aerolíneas precedent could make it harder to resist rescuing privatised companies that run into trouble in the future.

Once again, the government is the main shareholder in Aerolíneas. The government does not plan to manage Aerolíneas, but wants to recruit professional managers to take its five seats on the 12-member board.

As well as its 33 per cent share, the government also represents the employees who hold 10 per cent of the company. Mr Liendo says "the board will be selected with the same rigour as American Airlines or British Airways. We will look for the best people in the business".

The hope is that Aerolíneas will become profitable, making it easier to attract buyers for the unwanted 53 per cent of the company held by the government and the banks.

That will not be easy, not only is the industry in trouble internationally, but Aerolíneas has not made a profit in its recent history.

The Aerolíneas affair risks bringing privatisation into disrepute in Argentina, and just almost the entire public sector is being privatised.

Mr Cavallo was not responsible for privatising Aerolíneas and has taken a more studied approach to future sales. He says "we have learned from the case of Aerolíneas companies to continue improving the privatisation process and avoid repeating mistakes".

HK group takes 10% of company in share probe

By Simon Holberton in Hong Kong

FUJIAN Enterprises, the Hong Kong-based conglomerate, has purchased 10 per cent of Allied Group, a company under investigation by the Hong Kong government for its share dealings.

Fujian Enterprises, which paid HK\$126.5m (US\$16.4m) for the 20m shares in Allied, is owned by the provincial government of Fujian, a province located on the south coast of China.

The company acquired the shares from the family trust of Mr Lee Ming Tee, the chair-

man of Allied Group. His trust subscribed for 20m shares to rebuild his holding.

Mr Zhou Huiyuan, chairman of Fujian Enterprises, said his company would consider acquiring a further 10 per cent of Allied Group.

The investigation into Allied Group and four other companies associated with Mr Lee is expected to take about six months.

Allied Group has investments in Fujian in a shrimp feedmill and an eel processing plant.

It also is the developer of a golf course in the province.

Australian coal mining group dips

By Kevin Brown in Sydney

COAL & Allied, the Australian coal mining company, yesterday said net profits fell by \$10m to \$549m (US\$35m) in the year to end-June, on turnover down 4.3 per cent to \$4815m.

The group, 38 per cent owned by CRA, the Australian mining group, said it expected a flat profit performance over the next 18 months, but forecast an increase in Asian demand after 1994.

Mr Tony Haraldson, chief

executive, said South Korea, Taiwan and Japan were experiencing high growth in power demand, and would need to increase generating capacity.

In line with the optimistic long-term outlook, Coal & Allied maintained the final dividend at 35 cents, making a fully franked total of 80 cents for the year, unchanged from the previous year.

"We are very comfortable with the dividend payment and it's a very small drain on our resources," Mr Haraldson said. He added that the impact of

price reductions during 1991 and 1992 was largely counteracted by reductions in port charges and lower costs. The company, he said, would need to reduce costs further this year to offset "lousy" spot market prices.

Production increased to a record 11m tonnes from 10.5m tonnes in the previous year, but sales fell slightly to 11.1m tonnes from 11.5m tonnes.

Coal & Allied shares closed unchanged at A\$9.39 on the Australian Stock Exchange. CRA closed 30 cents lower at A\$12.50.

Amcor acquires Leigh Mardon

By Kevin Brown

AMCOR, the Australian packaging group, yesterday said it would pay A\$273m (US\$196m) for Leigh Mardon, a packaging, communications and printing company with operations in Australia, Singapore and Hong Kong.

Leigh Mardon was sold by Coca-Cola Amatil for A\$260m two years ago to a consortium of managers and financial institutions led by SBC Domin-

guez Barry Capital Partners.

Amcor said it would finance the acquisition largely from its cash reserve of about A\$200m, which includes A\$177m from the sale in July of its 8.5 per cent shareholding in Mayne Nickless, the Australian transport and distribution group.

Mr Stan Wallis, Amcor managing director, said Leigh Mardon's forecast sales of nearly A\$900m this year would shore up the group's "strong flow of earnings" in Australia.

However, the acquisition will also provide a substantial boost to Amcor's plans to expand its Asian packaging materials business.

Mr Ian Wilson, a director of SBC Dominguez Barry, said the consortium had achieved "a satisfactory return" on its investment in Leigh Mardon, in spite of the difficult economic environment. Amcor shares closed seven cents lower at A\$7.61 before the acquisition was announced.

Samancor falls 23.5% due to market weakness

By Philip Gawth in Johannesburg

SAMANCOR, the integrated chrome and manganese ore and alloys producer in the Genor group, saw earnings fall by 23.5 per cent in the year to June on the back of weak international commodity markets. The result was, however, better than market expectations.

Pre-tax income dropped to R384.4m (\$138.9m) from R567.4m, including a decline in net interest received to R49.3m from R110.8m.

Turnover rose to R2.06bn from R1.81bn in 1991, but R445m of this increase came from the acquisition of Middelburg Steel and Alloys (MS&A) ferrochrome operations, the chrome assets of the Rand Mines group and the Mangane Metal Company (MMC). The remaining turnover was actually 11 per cent down on 1991.

Mr Hans Smith, managing director, said if conditions in world commodity markets did not improve, the group would be "hard pressed to maintain the earnings announced." Accordingly the overall dividend was being cut to 80 cents per share from 110 cents per share. Earnings per share fell to 151 cents from 216 cents.

He added that the highlight of the company's performance was its improved cash position, with cash resources rising by R165m to R287m during the second half of the year following a three-month closure of production capacity.

He said this had been achieved despite the fact that Samancor had paid more than R200m in cash for its interests in the Columbus stainless steel joint venture and MMC. He defended the decision to close capacity saying it had been a successful attempt to generate cash, not an effort to squeeze supply.

MANAGEMENT CONSULTANCY

The FT proposes to publish this survey on October 8 1992. It will be of particular interest to the 60,000 UK Businessmen involved in decision making for Management Consultancy, who read the weekly Financial Times - this is more than any other national daily newspaper. If you want to reach this important audience, call Sara Mason Tel: 071-873 3349 Fax: 071-873 3064

Date survey: 84/85 Businessmen Survey 1991

FT SURVEYS

U.S. \$150,000,000

Chemical

New York Corporation

Floating Rate
Subordinated Notes Due 1996

Interest Accrual Period	29th May 1992 28th August 1992 (inclusive)
Interest Amount per U.S. \$10,000 Note due 8th September 1992	U.S. \$134.14

Credit Suisse First Boston Limited
Agent

NOTICE OF THE SECOND SESSION OF THE SECOND SHAREHOLDER REPRESENTATIVES GENERAL MEETING OF SHANGHAI VACUUM ELECTRON DEVICES CO., LTD. ("SVEC")

August 25, 1992

Dear Shareholders,

Notice is hereby given that the Second Session of the Second Shareholder Representatives General Meeting is to be held on September 23, 1992.

- Items requiring the sanction of resolution are as follows:
(a) the share split of par value;
(b) the increase of registered capital, the issue and allotment of new shares to shareholders; and
(c) the amendment of the Articles of Incorporation of the Company - Item 6 of Article 2, the scope of business and Item 9 of Article 3, the registered capital, amount and par value of shares.
- Identity of shareholders shall be conclusively determined by reference to the record of shareholders at the Shanghai Securities Exchange on September 18, 1992.
- Shareholder representatives:
According to the Articles of SVEC, one representative is to be appointed for every 30,000 state shares and corporate shares held; any shareholder who holds 30,000 individual shares or more shall become a natural shareholder representative; for shareholders holding less than 30,000 corporate shares or individual shares, one representative can be nominated jointly through consultation for every 30,000 shares held between them, alternatively, they may entrust their voting rights to a shareholder representative to act on their behalf or put forward in writing their detailed proposals of approval or objection on the items requiring the sanction of resolution.
- The representatives nominated through consultation or entrustment, please check in at the secretariat of the Board of Directors before 9 a.m., September 23, 1992. Please contact Mr Zai Yong Sheng. (Address: Fourth Floor, Building No.2, 95-97 Ji Mo Road, Pudong New Area, Shanghai, 200120 P.R. China, Tel: 86-21-8872391 Fax: 86-21-8841212)

Yours Faithfully,
The Board of Directors
Shanghai Vacuum Electron Devices Co., Ltd.

THE CERTIFICATE OF AUTHORITY SHANGHAI VACUUM ELECTRON DEVICES CO., LTD.

Hereby I entrust Mr. (Ms) _____ as my representative to attend the Second Session of the Second Shareholder Representatives General Meeting of SVEC and to vote on my behalf.	
Shareholder (Signatures)	
Address	
Shareholding amount	

SHANGHAI VACUUM ELECTRON DEVICES CO., LTD. BALANCE SHEET As of June 30, 1992

Monetary Units: RMB

ASSETS	AT END OF PERIOD	LIABILITIES AND CAPITAL	AT END OF PERIOD
CURRENT ASSETS		CURRENT LIABILITIES	
Cash on hand	47,828.31	Short term bank loans	264,981,940.00
Cash in bank	333,997,661.92	Notes payable	300,000.00
Notes receivable	17,117,255.50	Accounts payable	57,928,252.77
Accounts receivable	142,741,470.52	Advances to customers	16,249,000.00
Prepayments to suppliers	27,808,685.62	Accrued payroll	2,694,226.50
Prepaid income tax	-	Taxes payable	6,397,460.81
Intercompany account	23,986.39	Dividends payable	343,200.00
Other receivables	120,207,620.26	Other payables	167,099,541.50
Deferred and prepaid expenses	286,466.03	Provision for expenses	40,673.48
Exchange loss to be amortized	15,096,587.04	Exchange gain to be amortized	-
Inventories	166,000,593.54	Staff and workers' bonus and welfare fund	42,373.48
Securities	10,797,130.00	TOTAL CURRENT LIABILITIES	542,314,196.88
TOTAL CURRENT ASSETS	862,571,623.82	LONG TERM LIABILITIES	
LONG TERM INVESTMENTS		Long term bank loans	461,045,533.58
Long term investments	150,625,812.26	Other long term loans	35,771,086.38
FIXED ASSETS		TOTAL LIABILITIES	1,039,146,815.77
Fixed assets-cost	819,782,590.51	CAPITAL	
Less accumulated depreciation	170,701,723.81	Total amount per joint venture contract	300,000,000.00
Fixed assets-net value	649,080,866.70	Fund in capital	300,000,000.00
CONSTRUCTION IN PROGRESS		Including Chinese Participant	200,000,000.00
Construction in progress	127,421,675.08	Foreign Participant	100,000,000.00
INTANGIBLE ASSETS AND OTHER ASSETS		Funds from interest	20,998.19
Right to use sites	-	Reserve fund	399,854,537.33
Proprietary technology and patents	-	Enterprise expansion fund	32,571,241.11
Other intangibles	-	Current year profit	-
Organization expenses	-	Retained earnings	782,481,747.21
Overseas and foreign assets	1,136.94	TOTAL CAPITAL	1,769,546,583.88
TOTAL INTANGIBLE ASSETS AND OTHER ASSETS	1,136.94	TOTAL LIABILITIES AND CAPITAL	1,769,546,583.88
TOTAL ASSETS	1,769,546,583.88		

SHANGHAI VACUUM ELECTRON DEVICES CO., LTD. INCOME STATEMENT From Jan. 1992 to June 1992

Monetary Units: RMB

SALES OF PRODUCTS	283,245,393.89
Less: Sales Tax	17,752,512.64
GROSS PROFIT ON SALES	265,492,881.25
Less: Selling and administrative expenses	36,304,910.72
PROFIT ON SALES	34,170,288.20
Add: Profit from other operations	2,124,782.52
OPERATING PROFIT	36,295,070.72
Add: Non-operating income	2,711,250.40
Less: Non-operating expenses	180,850.91
TOTAL PROFIT	38,725,470.21

INTERNATIONAL CAPITAL MARKETS

Treasuries tumble in wake of dollar's decline

By Patrick Harrington in New York, Angus Foster and Sara Webb in London

FOR the second consecutive trading day US Treasury securities fell across the board in the wake of a sharply declining dollar.

GOVERNMENT BONDS

mark 30-year government issue was down 1/8 at 97 1/8, yielding 7.425 per cent. The two-year note was also notably weaker, down 1/8 at 100 1/8, yielding 4.515 per cent. Selling was particularly heavy in the intermediate sector, with the 10-year bond down a full point at 97 1/8 to yield 6.866 per cent.

Despite central bank intervention to support it, the dollar has fallen to new all-time lows against the D-Mark in the past two days. That decline has upset bond markets, because a lower dollar reduces the chances of another interest rate cut by the Federal Reserve, it raises the possibility of higher inflation from more costly imports and it also makes US assets less attractive to foreign investors.

Political uncertainty also continues to worry bond markets. After last week's Republican convention President Bush has made up lost ground in the polls but the unpredictable out-

look has made Treasury investors cautious about buying government securities.

THE EUROPEAN government bond markets were dominated by currency concerns yesterday as the dollar's fall served to heighten tensions in the exchange rate mechanism of the European monetary system.

Concerted central bank intervention failed to provide much support for the US currency, leading to a strengthening of the D-Mark and a weakening of sterling and lira. As a result, the UK and Italian bond markets suffered sharp falls while German government bonds rose as investors were drawn into strong D-Mark assets.

UK government bonds fell as much as a point on fears that sterling's weakness could force a base rate rise and worries about a large gilt auction on Wednesday.

Sterling's close, near the bottom of its EMS band, and rise in money market rates, depressed prices across the yield curve. The 8 1/4 per cent gilt due 1997 dropped 1/8 to 96 1/8, with the 10 1/8 per cent gilt due 2008 falling 1/2 to 96 1/8, with a yield of 8.12 per cent. In active futures trading, the Life gilt futures contract fell from 96.27 to 96.05.

Dealers said prices were also adjusted for Wednesday's £2.5bn new gilt issue and would have fallen in spite of

sterling's troubles. Some traders said price falls meant the auction would be more attractive, although others said overall market gloom would drag prices further downward. Among the other European markets, weakness in the lira contributed to the half-point fall in the Italian government bond market yesterday. The futures contract fell from its opening of \$3.80 to a low of \$2.68 before ending the day at about \$2.80.

German government bonds closed higher in quiet trading helped by weakness in the dollar and the Treasury market, and sharp falls in German equities.

The Life bond futures contract opened at 97.85 and closed just short of its high for the day at about 98.15. Some dealers said the strength of the D-Mark was attracting some buyers looking for price gains if there is an EMS realignment.

August inflation figures for North Rhine Westphalia were as expected, showing prices up 3.4 per cent in the month to mid-August compared with 3.3 per cent in July. Other states are reporting figures for August over the next few days. Dealers reported some switching out of French government bonds into German government paper because of the strength of the D-Mark. The yield on the French 8 1/4 per cent bond due 2002 rose from 9.05 per cent at the open-

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week Ago	Month Ago
AUSTRALIA	10.000	11/02	102.780	-0.050	8.40	8.41	8.24
BELGIUM	8.750	02/02	96.400	-0.100	8.30	8.30	8.34
CANADA	8.000	04/02	107.800	-1.000	7.25	7.31	7.65
DENMARK	8.000	11/00	86.800	-0.820	8.81	8.83	8.28
FRANCE	8.000	02/97	95.874	-0.254	8.84	8.82	8.39
FRANCE STAN	8.000	11/02	96.070	-0.870	8.89	8.91	8.31
GERMANY	8.000	02/02	100.800	-0.200	12.91	12.92	12.86
ITALY	12.000	02/02	92.700	-0.800	12.91	12.92	12.86
JAPAN	10.118	02/02	100.154	-0.105	4.77	4.78	5.13
UK 12m	8.400	03/00	100.211	-0.241	4.73	4.80	5.01
NETHERLANDS	8.250	08/02	99.300	-0.045	8.81	8.81	8.37
SPAIN	10.300	09/02	88.670	-0.760	12.83	12.84	12.53
UK GILTS	10.000	11/98	100.24	-0.252	8.78	8.82	9.33
UK GILTS	8.750	08/02	102.02	-0.02	8.45	8.22	8.08
US TREASURY	8.000	10/09	98.24	-0.32	8.10	8.08	8.80
US TREASURY	6.375	08/02	97.26	-0.766	8.89	8.87	8.86
US TREASURY	7.250	08/02	97.21	-0.843	7.48	7.38	7.55
ECU (French Govt)	8.000	02/02	93.8100	-0.800	9.50	9.30	9.45

London closing New York closing

Yields: Local market standard

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COMPANY NEWS: UK

Tomkins chief hoists salary to near £1m

By Roland Ruddy

MR GREG Hutchings, chief executive of Tomkins, had his pay boosted 54 per cent to £995,000 in the year to May 2, according to the annual accounts published yesterday.

Mr Hutchings defended the increase which was significantly larger than the 18 per cent rise in full year profits to £132m.

He said "I am judged continually by results which are in the interests of shareholders; if there is nothing for the shareholders there is nothing for management."

Mr Hutchings said there were no service contracts for any of the managers, making it clear that the group would not put up with poor performance.

The main reason for Mr Hutchings' biggest ever pay award was the increase in incentive compensation - calculated by the increase in share price, earnings per share and dividend - which rose from £203,000 to £492,000.

"It's been a very good year for us which has obviously benefited me. One shareholder has already congratulated me on my salary increase."

With more than 70 per cent of profits and sales in the US,

Mr Hutchings said he was keen to make a UK acquisition which was beginning to look a more realistic objective as the recession continued.

"It is interesting that the share prices of many UK companies have come back to more realistic levels over the past few months."

"The price of some of the companies we are looking at still need to fall a bit but there are now more opportunities."

Ideally, he wants to make his enterprise 40 per cent UK, 40 per cent US and 20 per cent from the rest of the world, which implies sizeable acquisitions.

However, he made it clear that he would not be rushed into a big UK acquisition.

"We have been lucky enough to generate sufficient cash not to need an acquisition. If we had been forced to do one in the UK six months ago we would now look pretty stupid."

Tomkins has not made any substantial acquisitions since it bought Philips Industries of the US in 1990. Mr Hutchings said it does not need another sizeable acquisition to meet its target of out-performing the UK market in earnings per share growth.

See Lex

Beverley to reorganise to pay dividends

By Peter Pearce

BEVERLEY GROUP has announced proposals for a capital reorganisation to enable it to pay dividends.

In April, under its old Petrocon name, it failed to acquire James Wilkes, a rival engineering group, in a hostile £25m bid.

In its recently published 1991 accounts, Beverley, which was acquired by Petrocon in March for £2.68m, revealed a deficit on the profit and loss account reserves of some £6.68m making dividend payments impossible until future profits had paid off the shortfall.

To rectify this, the board has proposed reducing the share capital and writing off the share premium account. This will result in a small reserve of about £699,000 against which goodwill from future acquisitions can be written off. The ability of the company to distribute this reserve will be restricted by undertakings to the High Court.

Under the reorganisation, which is subject to shareholder approval at an extraordinary meeting on September 15, existing shares of 12½p will be sub-divided into one new ordinary of 7½p and one deferred of 5p.

Rights on the 7½p shares will be no different from those on the existing shares, but they will be nominal on the deferred.

If the High Court allows, the deferred shares will then be cancelled - reducing the aggregate nominal value of the shares in issue from £4.35m to £2.61m - and the £6.68m standing to the credit of the share premium account written off.

After the cancellation of the deferred shares, there will be a £400,000 difference between the authorised and the issued ordinary share capitals. At the EGM the board will seek approval to allot shares up to an aggregate nominal amount of £130,000 until the annual meeting in 1993.

Yesterday Beverley's shares were unchanged at 10p.

Making management options crystal clear

Tim Coone on the latest phase of Waterford's rationalisation proposals

THE TOWN of Waterford in southern Ireland, was first known for its port rather than its famous crystal-ware factory which, just a few years ago, employed a third of the town's workforce.

The main road through the town, even today, leaves an overriding visual impression of maritime bustle and cargo ships harnessed by hawseers to the high street.

For the coachloads of foreign tourists though, the magnet for their attention is the factory of Waterford Crystal, the troubled division of Waterford Wedgwood, the Irish luxury crystal and ceramics manufacturer.

Last week the crystal division announced its fifth rationalisation plan in as many years. The plan involves 500 redundancies by January from the 1,900 workforce, across-the-board wage cuts, and a five-year industrial peace agreement. The redundancy scheme becomes compulsory next year. Rejection of the plan by the trade unions could mean the death-knell for Waterford, one of Ireland's best known companies and exporters.

At the height of the tourist season, there can be more visitors to the factory in one day than there are people working in it. Now looking more like a live exhibition in a museum, the glassblowers and cutters perform their tasks impressively in front of silver-haired couples from the US, excitable groups of gesticulating Italian teenagers, and wide-eyed Japanese who ask their tour guides why men and not machines do these jobs.

Over in the office buildings Waterford's management team has been struggling with the same question. Chronic cost problems have been developing for many years but were masked in the late-1980s by the booming market for luxury goods. The group's results were also helped by contributions from Wedgwood, the English fine china maker it acquired for £260m in 1986.

But from that high point, life for the company has been harder.

To bolster the group's finances in 1990, Mr Tony O'Reilly, the Irish businessman, and Morgan Stanley, the



Patrick Galvin: another strike could finish the company

US investment bank, between them took a 29.9 per cent stake for £85m. And Waterford and Wedgwood were separated into two virtually autonomous units.

Waterford Crystal has lost £66m in the past six years. Rising costs, declining markets, and growing competition, exacerbated by the recession, have gouged the company's balance sheet and forced a major reappraisal of the company's future.

Some 1,000 of the workforce were laid off during 1987 and 1988, bringing numbers down to 2,300. Then as further rationalisations and pay cuts were planned in 1990, the employees revolted, ensuing in a bitter 14-week strike which cost the company £10m. A voluntary redundancy scheme has seen a further 400 go since then and short-time working was introduced in 1991.

A year ago the company

introduced its new "Marquis" range into the US market and has had considerable success with it. Cut by machine in Germany and Portugal, and made of lighter crystal than the traditional ranges made at Waterford, it is marketed under the Waterford label but is cheaper and aimed at the lower end of the market.

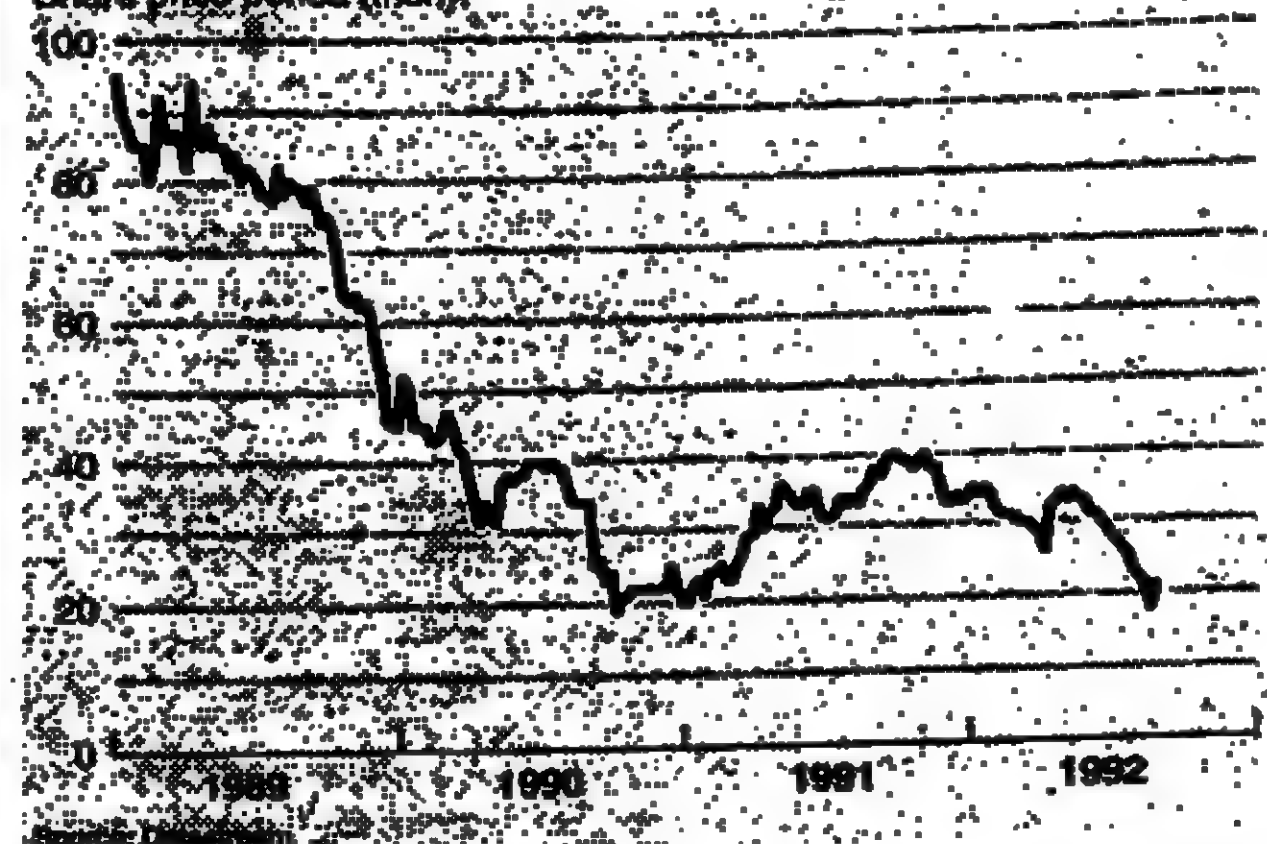
Losses have been trimmed substantially, falling to £12m last year. But sales of the traditional lines have failed to pick up, necessitating further restructuring.

Encouraged by its success with the "Marquis" range, the company is now in the process of introducing more stemware from Germany, partly machine-manufactured, and which will substitute for some of the ranges currently being produced at Waterford.

The redundancies and sourcing of stemware from outside Ireland has deeply upset the

Waterford Wedgwood

Share price pence (1981-1992)



trade union, although reaction on the shop floor is one of resignation. "We knew it was coming. It was just a matter of when," said one cutter who has worked 20 years for the company.

Fifteen to 20 years' service with the company is typical for most of the glassblowers and cutters, all of whom have had to complete five-year apprenticeships to gain their status as craftsmen. Most are middle-aged with families and outstanding mortgages, and have few possibilities of finding alternative employment.

Yet the onward march of technology and mass production techniques are making their skills redundant. The replacement of ceramic cutting wheels with diamond ones over the past two years for example has vastly increased productivity. The present redundancy plan calls for a shedding of 180 of the 280 cutters' jobs.

The trade union, while recognising the problem, has not ruled out the possibility of industrial action if the workforce decides to press for better redundancy terms and job guarantees for the remaining 1,400 employees.

Mr Pat Fitzgerald, chairman of the factory's branch of the Amalgamated Transport and General Workers' Union said: "This is the fifth plan to save the company. The trouble is we don't believe it is going to consolidate the workforce at 1,400. The sourcing of stemware from Germany may end up in fur-

ther job losses. Come again in 18 months time, and we'll probably be down to 900". Mr Patrick Galvin, Waterford's chairman and chief executive, warned last Friday that another strike would most likely finish the company.

Labour relations at Waterford Crystal have thus arrived at a showdown. Acceptance of the new rationalisation plan by the workforce will give the company a new lease of life, although it is becoming increasingly apparent that lower-cost manufacture abroad will steadily displace production at Waterford.

Market research has shown that most customers do not identify the brand name with Ireland. Production could therefore be gradually moved to a country of lower labour costs, such as parts of eastern Europe where there is already a tradition of crystal manufacture, without affecting the brand image. This would seem to be a logical and probable strategy, perhaps eventually only retaining a much-reduced core of craftsmen to supply products for the most up-market segments.

Sensing this to be the case, the union might prefer to opt for a radical solution rather than a slow death of the factory by a thousand cuts. The question then is could the company itself survive, shifting production of its products to a foreign base in a much shorter period of time? Clearly some tough negotiations lay ahead.

Lionheart bucks sector trend to advance to £1.1m

DESPITE THE impact of recession on the home improvements and DIY sectors and discounting by multiple retailers, Lionheart raised pre-tax profits from £768,000 to £1.1m for the six months to June 30.

"Our three main businesses of home improvements and DIY, housewares and retail systems have all been profitable in the first half," said Mr Paul Lever, executive chairman.

"Provided the normal seasonal up-turn in trade materialises from September through to November, I expect a con-

tinuing improvement during the rest of 1992."

Following a return to the dividend list in April after a three year absence for reconstruction, there will be an interim of 0.2p.

Sales were ahead at £21.5m (£11m), against £22.3m for the last full year.

The re-organisation of the housewares division is now nearly complete, following the purchase of Croydex, the bathroom and household products company, from Hanson for £7.7m a year ago.

Earnings per share came out at 0.48p (0.57p).



INDEPENDENT NEWSPAPERS, PLC

"recording very satisfactory results"

(Dr. A J F O'Reilly, Chairman)

HALF-YEAR TO 30 JUNE 1992

Turnover	IR£77.4m	up 4%
Operating profits	IR£10.5m	up 36%
Profit before taxation	IR£ 7.0m	up 35%
Earnings per share	16.2p	up 29%
Dividend per share	5.5p	up 10%

INDEPENDENT NEWSPAPERS IS IRELAND'S LARGEST MEDIA AND COMMUNICATIONS GROUP WITH PUBLISHING, OUTDOOR ADVERTISING AND ELECTRONIC MEDIA INTERESTS IN IRELAND, ENGLAND, FRANCE, AUSTRALIA AND MEXICO.

- ⑤ In Ireland, Independent Newspapers' main title, the Irish Independent, increased its market share. The Sunday Independent and The Star achieved strong circulation increases whilst the Evening Herald further improved its leading position. Overall, Independent Newspapers achieved further growth in its advertising market share.
- ⑤ In the United Kingdom, Independent Newspapers' publishing activities, which comprise the recruitment magazines, Ms London and Midweek, and the local newspaper group, Greater London and Essex Newspapers, improved their performances and increased their respective market shares.
- ⑤ In Australia, Independent Newspapers increased its shareholding in Australia Provincial Newspapers (APN) to 20 per cent, following APN's highly successful flotation. APN reported significantly improved results for its half year to 30 June 1992 and its market capitalisation at 21 August 1992 was A\$252 million.
- ⑤ Independent Newspapers' outdoor advertising activities in Australia (Buspak) and France (Sirocco) achieved much improved first half performances.
- ⑤ In June, a consortium which includes United International Holdings and Tele-Communications, the largest cable television company in the world, subscribed IR£11.2 million for a 50 per cent share of Independent Newspapers' television signal distribution subsidiary in Ireland, Princes Holdings. The Group's total investment in this company was IR£6.7 million prior to the investment.

Beauford cuts loss to £218,000

BEAUFORD, a designer and manufacturer of material handling equipment and machine tools, reported a reduced loss before tax of £218,000 for the six months to June 30.

That compared with a deficit of £240,000 in the first half of the previous year and with losses of £1.85m in the second six months.

Turnover was £21.3m (£25.5m).

The company also announced that it was proposing to sell its 51 per cent stake in Bilas, the loss-making metal forming machine manufacturer, for an aggregate cash consideration of £228,116 to a new company established for this purpose.

The disposal follows the sale in May of Kamat, another loss-making company. Proceeds of the disposals will be used to reduce borrowings which will be reduced to about £13.3m against £17.5m at the December year end.

Losses per share emerged at 7.6p (6.9p). The interim dividend is omitted (1.85p).

Sidlaw expands via £5.3m purchase

Sidlaw Group, the oil services, flexible packaging and textiles company, has acquired Falcon Packaging, located in Evesham, for a total of £5.25m.

Consideration comprised £525,000 cash with the balance made up of 648,422 ordinary shares and £2.68m in variable rate guaranteed unsecured loan stock 1994-2002.

For the year to August 31 Falcon returned pre-tax profits of £140,000 from turnover of £6.1m. Net assets amounted to £280,000.

Assets dip at English & Caledonian Inv

The net asset value of English & Caledonian Investment was 181.8p per share at June 30 - a decline of 6 per cent over the year.

Net revenue amounted to £245,000, up from £134,000, for earnings of 5.46p (2.99p) per share. As already announced, a final dividend of 2.5p brings the total for the year to 3.75p (3.15p).

Ingham at £135,000 and seeks expansion

Ingham, the worsted spinner, described trading in its first half as "more buoyant than for some considerable time".

Profits before tax for the six months to June 30 amounted to £135,000, against £26,000 last time. Turnover was £2.98m (£2.52m).

Mr David Courtman, chairman, said that new processing equipment had proved beneficial while wool prices at a historical low should encourage forward orders.

Although the retail sector did not appear "over optimistic", exports were contributing more to turnover and further expansion overseas was being sought, he added.

The interim dividend is raised to 1.5p (1p), payable from earnings of 3.3p (0.8p) per share.

Hibernian sharply ahead to £8.65m

Hibernian Group, the Dublin-based insurance company, announced results ahead of its expectations for the six months to end-June.

Pre-tax profits surged from

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Aerospac Eng	0.5	Oct 9	1.58	1	3.12
Beauford	nil	-	1.85	-	1.85
Epwin	2.11	Oct 26	2.1	-	6.5
Hibernian	1.5	Sept 21	1.8	-	6.7
Ingham	1.5	Oct 2	1	-	3
Lionheart	0.2	Nov 4	-	-	0.3
Molyne	1.31	Oct 6	1.8	-	4
Needles	2.54	Oct 16	2.5	-	7
Printech Int'l	0.94	Sept 28	0.6	-	2

Dividends shown pence per share net except where otherwise stated. ↑On increased capital. \$USM stock. ♣Irish pence. *Canadian cents.

NEWS DIGEST

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DIVIDENDS ANNOUNCED

ALCO LIMITED
Technology
1988

United Kingdom Transfer Office:
Chartered Registrars
Bourse House
34 Beckett Road
Rochester, Kent ME1 2TU

Epwin	CAI Futures Ltd 362 Queen's
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A Swedish group has come up with a digital HDTV standard that casts doubt on the EC's plans, writes Michio Nakamoto

A show called vested interest



Sir Alec Guinness, in the film *Man in the White Suit*, defends another invention that never saw the light of day

Europe is in danger of falling behind the US and Japan in the emerging market for high-definition television. While the prospects for the planned European HDTV programme remain uncertain, the Japanese public broadcasting corporation, NHK, has already started broadcasting weekly programmes in high definition while the US has forged ahead with plans to introduce a digital HDTV standard.

Now a Scandinavian group which includes the Swedish Broadcasting Corporation, the Swedish Television Company, Swedish Telecom Radio and Telsa Research, the R&D subsidiary of Swedish Telecom, has been working on a digital HDTV system that could cast further doubts on the wisdom of pursuing a two-step gradual approach based on an analogue standard, known as Mac (multiplexed analogue components).

The group has developed a prototype system for digital terrestrial HDTV called HD-Divine (digital video narrow-band emission). The system, which was demonstrated at the International Broadcasting Convention in Amsterdam last month, has aroused considerable interest in the US as well as in Europe.

"This could very well mark the turning point in European thinking concerning HDTV transmission," commented George Waters, director of the European Broadcasting Union's technical department.

But Per Appelquist, head of research and development at Swedish Television, does not expect the HD-Divine standard to be adopted by the EC. "It is politically difficult for a Scandinavian system to be adopted in Europe," he says.

Having invested huge amounts of money and time on the Mac standard, European consumer electronics companies, specifically Philips and Thomson, are unlikely to want to adopt a different system.

While Philips and Thomson are both involved in developing digital systems, through EC programmes such as Race (the EC's R&D programme in advanced telecommunications), they have relegated those developments to the back burner and say they do not expect digital television to become a reality until well into the 21st century.

Europe's plan for a step-by-step approach to improving TV picture quality using a partly-analogue system has met with industry resistance. Broadcasters are reluctant to invest the huge sums needed to adopt the European standards and consumer appetite for expensive new electronics products is at a particular low.

Unlike the EC's Mac standard, which would be introduced gradually, the move to digital television proposed by the HD-Divine project

would mean one big leap forward to a completely new standard.

HD-Divine also differs from D2-Mac (the standard adopted for wide-screen broadcasts) and HD-Mac (to be used for high-definition broadcasts) since it was designed specifically for terrestrial broadcasts rather than for satellite. This would make it less expensive for broadcasters to transmit programmes and for viewers to receive them.

Like the analogue standard, digital HDTV offers clear, crisp pictures. But it would also provide CD-quality sound and would make more efficient use of channels.

The system developed by HD-Divine, for example, could increase the number of channels to about 40 from the current four on the existing Pal standard for terrestrial broadcasts. This is possible because the digital signals would be constructed in such a way as to minimise

the interference between signals.

Although there are 44 UHF channels used for broadcasting on the Pal system, they cannot all be used due to the possibility of signal interference between one channel and another. By sending the signals over hundreds of carriers, digital television can make use of so-called "taboo channels", which would normally need to be kept free to avoid interference.

Digital television could lead to further developments based on the capacity of digital signals to hold vast amounts of information. For example, multimedia applications which allow the viewer to manipulate the material on the television screen is one possibility.

Instead of turning the channel to find a news programme, viewers could do a "news search" in the same way that CD players offer a "track search" to receive informa-

tion on what news programmes are being broadcast on what channels, says Henry Price, head of engineering information at the BBC.

Since telecommunications and computers are also based on digital technology, a digital television system would also allow easier access to these communications systems.

If digital television offers so many advantages, why have European consumer electronics manufacturers backed a partly-analogue system that is likely to become obsolete?

The main reason is that digital technology is still considered to be many years away. European manufacturers, feeling threatened by Japan's head-start in HDTV, wanted a system that could be introduced in a relatively short amount of time.

One of the main difficulties faced in developing a digital television system is to compress a vast amount of information into digital

signals. HD-Divine has achieved this by doing away with 98 per cent of the information, explains Appelquist.

This is possible because much of the data sent down the line are redundant. If there are several picture frames in which the sky is blue, for example, it is not necessary to keep sending the signal for a blue sky for each successive frame. By using techniques which enable the receiving end to "guess" the content of a subsequent picture on the basis of the previous picture, the HD-Divine project has been able to reduce significantly the amount of information that needs to be transmitted down the spectrum.

Another hurdle that needs to be overcome in digital terrestrial broadcasting is multipath propagation or echoes which result from signals reflecting off various obstacles along their path, such as buildings and bodies of water.

Normally, in analogue systems, signals that are reflected in this way cause "ghosts" which appear as white shadows on the television screen. This happens because the reflected signal arrives later than the other signals and is interpreted as an "echo" to the main signal.

HD-Divine overcomes this problem by inserting what it calls a guard interval between each of the data symbols. This ensures that the time interval between signals is levelled out so that signals are read simultaneously.

After the successful demonstration in Amsterdam, the HD-Divine group has already been approached by a number of parties interested in participating in the project.

It is not looking to the EC for funding, as this would only lead to unnecessary bureaucracy and inevitable delays, it says.

But digital television still faces stiff tests before it can be considered a viable alternative to conventional TV. "It shows enormous promise but a lot of testing needs to be done," says Price. Digital TV is probably possible in a laboratory environment but more tests need to be carried out to see if it works in a commercial environment.

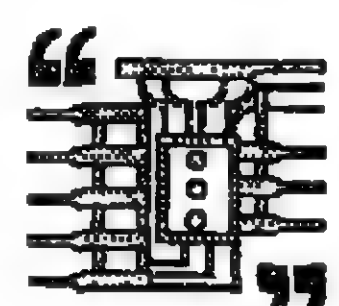
"It will take eight to 10 years before digital TV standards are set. By that time D2-Mac and HD-Mac will have firmly established themselves," says a Philips representative. Philips believes digital television is more suited to mobile applications, such as portable televisions in the car and "watchmen," or plugless TV receivers.

However, the longer the European HDTV programme remains stalled, the greater is the appeal of taking one big leap forward to an advanced television system that not only looks further to the future but also addresses the predominantly terrestrial audience in Europe.

Technically Speaking

Respect for the golden oldies

By Louise Kehoe



AMONG the rising stars of the high-technology field, the grey hairs of experience seldom command

respect. Indeed, several of the most celebrated achievers of the information age are remarkable for their youth.

Steve Jobs co-founded Apple Computer at the tender age of 20. Bill Gates, the software billionaire, is only 36 and Scott McNealy, the president of Sun Microsystems, has turned 37.

Their companies, along with many others in growth segments of the computer industry, are imbued with a culture that reflects the youth of their founders. They are supremely confident and scorn the formality of more mature businesses. While by no means all of their employees are fresh faced, the average age is seldom much higher than that of the chief executive.

In part, the predominant role of young men in high-technology industries can be explained by the fast pace of innovations that give young engineers, just out of university with knowledge of leading-edge technology, an advantage over their older colleagues whose formal education is rapidly outdated.

At its best, the youthful spirit of segments of the high-technology industry gives them energy and drive. At its worst, however, the industry culture harbours subtle age discrimination.

Too often, young executives will say that they have to avoid hiring individuals with more than a few years' experience at an "old line" computer company, claiming that such people are likely to be stuck in their ways.

In effect, this limits the opportunities of those who in mid-career hope to join a company with stronger growth prospects.

By not offering pension plans, companies can also effectively select only those young enough, or rich enough, not to worry about retirement.

Nevertheless, experienced and older executives should play a

valuable role in young companies. In the US, for example, many venture capitalists have a long career in high-technology behind them. Having recorded their own achievements and made their own mistakes these veterans are well placed to offer counsel to the next generation of industry entrepreneurs.

They also provide fledgling companies with valuable contacts, opening doors that might otherwise be closed to newcomers.

In the UK, this valuable source of knowledge and experience is less-frequently tapped. However, a new network of independent consultants aims to make the talents of some of the industry's more senior, yet hardly old, citizens available to companies.

CH Business Development, founded by Tim Wickes, a veteran of high-technology marketing, has established a register of consultants for use by information-technology users, suppliers and service companies.

"Two of the main qualifications that we look for in potential team members is sound business experience in executive 'hot-seats', integrity and plenty of 'grey hair'," says Wickes.

It is often easier for a managing director to accept advice from a seasoned consultant than from a team of bright young business graduates, Wickes suggests.

Robin Laidlaw, formerly director of information technology at British Gas, is one of the management consultants on the CH list. "Our approach," he explains, "is to be an extension of the chief executive's office. Most chief executives wish to review how their organisations should reflect such things as technology changes. However, in today's demanding environment where the day-to-day pressures are so great, there is often too little time for adequate strategic thinking."

Whether as a consultant, a venture capitalist or a non-executive director, the older industry executive has much to offer. To ignore this source of expertise would be a detriment to the entire computer industry.

PEOPLE

Ex-Mercury star rising at Morgan

Nicola Horlick, 31, (right) hired a year ago by Morgan Grenfell to beef up its UK specialist pension fund management performance, has been promoted to managing director of Morgan Grenfell Investment Management (MGIM), in charge of the overall UK pension fund business. She replaces 46-year-old Neil Dunford (left), who is moved to the new position of MGIM deputy chairman.

Morgan Grenfell's UK pension side has long trailed behind its highly successful international investment management. "The good people have always wanted to go into international" observes Horlick, who was recruited from Mercury Asset Management, where she had been in charge of the "specialist" team and £6.5bn of funds. Until now looking after the UK "specialist", or performance, side at Morgan (involving some £600m in client funds) she now assumes responsibility for the standard "balanced" funds as well, and accounts worth a total of £5.3bn. "I am here to get the balanced side really going".

Keith Percy, boss of Morgan Grenfell Asset Management (encompassing both international and UK fund manage-



ment, of some £17bn) and chairman of MGIM, claims "the total UK performance is up a quartile since I joined two years ago, but equity selection in the 'balanced' funds has still been disappointing". Looking for a more "cohesive" management structure, he says there had been "three of four senior people below Dunford, and I felt one of them should have the final say on investment matters".

Horlick, a law graduate who came to the City by way of a year selling animal feeds for her father's nascent business, has not looked back since join-

ing MAM - where "she had a fantastic track record" according to Percy. Mercury has recently lost several people, including Leonard Licht, her former boss, who went to the small fund management operation Jupiter Tyndall.

Countering the impression that Dunford - whose background is Schroders and Scottish Widows - has been sidelined, Percy says he only did not give Dunford the MGIM chairmanship because he wanted to avoid the industry concluding he, Percy, was distancing himself from the UK business.

Spring Ram Corporation, the bathrooms and kitchens group, has recruited three subsidiary directors from rival companies.

As the production director of Fordham Bathrooms, Alex Gemmell, 52, will supervise the commissioning of a 550,000 sq ft bathroom factory at Bradford. Gemmell was previously a production director with Armitage Shanks, part of Blue Circle Industries.

The factory building is due to start this autumn and to be completed 18 months later. It will absorb the bulk of the £45m capital spending that Spring Ram has scheduled for next year.

Fordham Bathrooms came into Spring Ram last year via an acquisition from Hepworth, the building materials group. Bill Rooney, Spring Ram chairman, said Fordham's main thrust would be to sell into the builders' merchant sector of the bathrooms market.

Robin Trotter, 39, has been recruited from Carron Phoenix, the sink subsidiary of the Swiss company Franke Holdings, to become managing director of Astracast, Spring Ram's asterisk sink company. He fills a vacancy created by the recent appointment of Ron Farr to the main board.

Noel Riley, also 39, has been appointed sales and marketing director of Streamline, which sells bathrooms, tiles and other accessories to DIY retail chains. Riley comes from H & R Johnson, part of Norcor.

Stephen Connock, general manager (human resources) at Pearl Assurance, has been appointed to the board of EASTERN ELECTRICITY as personnel and public affairs director.

Richard Gibson, md of Zanussi since 1986, has been appointed chief executive of ELECTROLUX Household Appliances Marketing Group, a new division set up to cover Electrolux, Zanussi, Tricity Bendix, Parkinson Cowan and Moffat.

Tony Mullins, md of BARLO GROUP which recently acquired IRG, has become chairman of IRG. David Burke, formerly chief executive of Fullex International, has been appointed md of IRG, and Brian Beausang finance director.

Paul Harrison, formerly assistant md of Forte airports division, has been appointed md of FORTE AIRPORT SERVICES in succession to Alec Kirby who has retired.

Ken Fidler, systems director, is appointed to the board of GRANADA UK RENTAL. Alan Spears, previously operations director of Mono-

type Corporation, has been appointed manufacturing director of JONES & SHIPMAN.

Colin Gibson has been promoted to group director, transmission strategy of The NATIONAL GRID COMPANY in succession to Arthur Fowkes who retires in December.

Barry Pickersgill, formerly md of Gibbey Vintners, part of Grand Met, has been appointed md of ASSOCIATED LEISURE, part of The Rank Organisation.

Christopher Hopkinson, formerly sales and marketing director, has been appointed general manager of AHREND HUMBER.

Martin Parker, md of Warner Fabrics, has been appointed chief executive of LISTER & CO.

Martyn Everett, formerly group financial controller, has been appointed finance director of B ELLIOTT on the resignation of James Coleman.

BUSINESS LAW

Hidden menace to land values

By Matthew Mitson and Andrew Waite

That buy-bear of the property industry, registers of potentially contaminated land, has resurfaced in a consultation paper which was issued by the Department of the Environment on July 31.

The registers are to be maintained by local authorities under section 143 of the Environmental Protection Act 1990 and will contain details of land which is contaminated, or has been used for any specified industrial purpose which may cause contamination. Under the new proposals the registers are now likely to include far fewer sites than previously envisaged.

The government's original proposals, which emerged last year, were met with howls of protest from the property sector and were eventually withdrawn. Under those proposals, a property would have appeared on the registers if it were currently or had at any time in the past been put to any one of a long list of uses.

That list included not only obvious polluting industries, such as oil refineries and gasworks, but also less obvious candidates, such as dry cleaners and demolition sites.

The result would have been the inclusion of a vast number of sites in the registers, raising fears of widespread blight and a fall in property prices.

The government's initial response to those concerns was to point out that inclusion on the registers would not mean that the property concerned was necessarily contaminated, only that it might be contaminated due to its previous use. That did not allay people's fears, however.

The new proposals issued by the Department of the Environment reveal significant changes from the earlier consultation paper. There are three major changes.

First, "the list of contaminative uses has been reduced to those where there is a very high probability that all land subject to those uses is contaminated unless it has already been appropriately treated."

According to the department's estimate, the registers are now likely to cover only 10 to 15 per cent of the area affected by last year's consultation paper.

The new list of contaminative uses comprises gas, coke,

bitumen, lead, steel and asbestos works, oil refineries, most chemical works, landfill sites, waste incinerators, plants for the chemical treatment of waste and scrap metal yards.

Those who have escaped the department's attentions on this occasion should not take undue comfort as "the government has it in mind to extend the list of uses by further regulations in due course in the light of experience".

The second key change from the earlier proposals is that local authorities will be required to take reasonable steps to notify owners or occupiers of their intention to include land on the registers before the entry is made.

That will give those persons affected sufficient time to make any objections in an endeavour to convince the

local authorities that particular sites should be excluded.

An unsatisfactory aspect of this proposal is that no statutory appeal machinery is provided. It is considered sufficient that owners affected can take their cases to the local ombudsman or seek judicial review. However, the local ombudsman can only deal with cases of maladministration and will have no powers to direct that property be deleted.

Judicial review is equally inappropriate as it is intended as a means of identifying flaws in the procedural processes adopted in reaching decisions rather than in the merits of decisions themselves. In any event, the courts are already overloaded with such cases. It would seem much more sensible to appoint a special tribunal to deal with these cases, possibly comprising one or more surveyors.

The third major difference is that the registers are to be split into two parts, A and B. Part A will deal with land which has not been investigated or treated. Part B will cover land which has been investigated and/or treated for contamination. The existence and whereabouts of any available reports will also be noted.

In other respects the propo-

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sals are similar to those issued last year. The local authorities will not give any guarantee as to whether decontamination work has been successful. Once a site has been entered on the register it will not be possible to remove it.

Two reasons are given. First, factual information on the history of the site will be required when a change of use is proposed in the future. Secondly, contamination may have migrated from the site to adjacent areas. The owners of those sites and regulatory authorities and developers will need to use the registers to identify those sources of contamination.

However, many people are likely to find that aspect of the proposals unsatisfactory. No doubt there will be demands for further thought to be given

tion which is not the fault of the present owner (who may not have paid a reduced purchase price) be the responsibility of the private or the public purse? The Department of the Environment may be groping towards answers to these questions, but if so, they are keeping their thoughts to themselves for the present.

It is inevitable that the revised proposals will raise the question of blight once again, even if not to the extent caused earlier. This is something that the government will have to take seriously.

Although only a limited number of sites are to be included on the registers in the near future, others will follow in due course. This is likely to have an adverse impact on the property market at a time when it urgently needs a boost.

If the economy continues in recession, there will be little money or inclination to deal with pressing environmental concerns. For that reason, the government must educate the public to understand that the real problem is not the registers but existing land contamination.

What is abundantly clear is that the issue of contaminated land has come to stay, with or without the proposed registers. In almost all transactions involving the transfer of land, the question is asked: Is the land likely to be contaminated? If it is, the purchaser will normally require a reduction in the purchase price, an assurance that the vendor will pay for any necessary clean-up works or an indemnity against any liabilities which may fall on the purchaser.

One of the principal difficulties at present is uncertainty over whether potential liabilities for cleaning-up contaminated land are likely to materialise. The answer can only be known when the government, in conjunction with the authorities concerned, produces a clear policy statement of its proposals for dealing with contaminated land.

Once clear policies and priorities are established, uncertainties will disappear and the fear of blight will recede. For the time being, all purchasers of land should beware.

The authors are solicitors in the environmental unit of Linklaters & Paines.

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COMMODITIES AND AGRICULTURE

US and Japanese groups in \$1.5bn Chilean mine deal

By Leslie Crawford
in Santiago

PHILIPS DODGE of the US and Sumitomo Metal Mining of Japan were late yesterday signing a \$1.5bn contract to develop one of the biggest mining projects in Chile's recent history: the Candalaria copper and gold deposit in the Atacama desert.

Mr Douglas Yearley, Philips Dodge's executive president, and his counterpart, Mr Akihiko Shinozaki of Sumitomo Metal Mining, were in Santiago yesterday to sign the foreign investment contract with the government of Chile.

The Candalaria deposit was discovered by Philips Dodge in 1987, and Sumitomo has taken a 20 per cent stake in the project. It has proven reserves of 400m tonnes, with an average grade of 1.1 per cent copper and 0.26 grams per tonne of gold. The reserves are expected to last for 34 years.

Philips Dodge and Sumitomo plan to invest an initial \$500m to strip the mine and build a concentrator plant. Candalaria will enter production in 1993 with an output of 400,000 tonnes of copper concentrates (a semi-refined product containing about 30 per cent copper) and 80,000 ounces of gold a year.

The foreign investment contract of \$1.5bn is expected to cover the 34-year life of the mine.

Pollution threat to US smelters

By Kenneth Gooding,
Mining Correspondent

ONLY TWO US smelters would be able to meet tighter pollution regulations proposed by the US Environmental Protection Agency, according to a study by the Metals & Minerals Research Services consultancy organisation.

It also concludes that "some base metals producers, particularly in North America and Europe, simply will not survive the sort of tightening of environmental laws that is being proposed and the tough legislation that is being enacted".

The study suggests that in Chile smelters face bills totaling about \$300m if they are to meet the government's new regulations to limit sulphur dioxide emissions.

It says France's tough Plan National pour l'Environnement also proposes huge reductions of sulphur dioxide emissions by the year 2000.

"In Germany, unless former East German base metal plants and mines come into compliance with West German environmental laws by October this year, they will have to close down," says Mr Simon Hobson, an executive director

of MMRS and one of the authors of the study.

He says there are eight pieces of European Community legislation concerning the environment and metals production that are either at the discussion or implementation stage. Tightening environmental standards have already forced closures. MMRS points to among other examples the shut-down of Billiton's secondary (scrap) lead smelter (35,000 tonnes a year) at Arnhem in the Netherlands while in Spain Metalurop's Cartagena primary lead smelter (85,000 tonnes) and Ercros's secondary copper smelter (30,000 tonnes) have closed.

MMRS suggests that the US mining and metals industry is under the most intense pressure because of the resources available to environmental groups. The top ten environmental organisations there, headed by the Nature Conservancy, have 8m members and a combined annual budget of more than \$253m. Another eight US environmental groups have an additional membership of about 6.5m and collect annual dues of over \$10m.

The study shows that the US Environmental Protection

Agency, under the terms of a new Clean Air Act, is pressing for permitted emissions of sulphur dioxide from smelters to be reduced by more than three quarters to only 0.75 parts per million (ppm) monitored over five-minute intervals.

It says only RTZ Corporation's proposed new copper smelter at its Kennebec subsidiary's Bingham Canyon mine and Cyprus Minerals new furnace at Miami, Arizona (corrected), based on the Australian Isasmelt process, could meet such stringent standards.

"It is an example of a proposed law which does not take account of standards base metals producers can reasonably meet but is designed to combat what the EPA and pressure groups believe may be public health risks," says Mr Hobson.

The American Mining Congress, which represents the US mining industry, is fighting this legislation. In the US there are 14 pieces of environmental law, regulations and guidelines which are to be changed very shortly, some very radically, says MMRS.

"An Environmental Audit of the Base Metal Industries," 210,500 from MMRS, 2 Henry Street, Bath, Avon BA1 1JT.

Canadian to resume wheat sales to Russia

By Robert Gibbons in
Montreal

CANADIAN WHEAT shipment to Russia will resume shortly, the Canadian Wheat Board says, after assurances of payment by the Russians.

The board halted shipments a week ago, saying Russia had exceeded a \$1.5bn (550m) Canadian line of credit by Cdn100m.

Now the board says a "modest" interim payment has been received and the Russians have provided a plan to deal with payment arrears. Russia is in the first year of a five year contract to buy 25m tonnes of Canadian wheat worth Cdn3.5bn at current prices.

Statistics Canada says Canadian farmers planted much more wheat this year but the harvest will be far from a record. Because of cool wet weather output is estimated at 29.9m tonnes for 1992, down 6 per cent from 1991. Oats production will be up sharply and barley down. The estimates are in line with those of the private United Grain Growers as of the end of July.

The grain harvest of the Commonwealth of Independent States will rise to 175m tonnes in 1992, from 154.7m in 1991, the Interfax news agency said, citing figures from the CIS statistics office, reports Reuter from Moscow.

On Friday, President Boris Yeltsin said Russia's grain harvest was forecast at 108m tonnes in 1992, after 99.1m tonnes in 1991.

"US experts say the harvest will be 96m tonnes, we say it will be 103m," Mr Yeltsin told a news conference. Previous forecasts have put the 1992 Russian harvest at about 98m tonnes although some predictions put it as low as 93m. Drought has cut yields sharply in many parts of Russia.

Ukraine officials recently forecast a total grain harvest of 45m tonnes, 5m more than last year.

Salmon market back in the pink

Norway's clearance sale has restored balance, writes Karen Fossli

DEMAND FOR farmed salmon is set to outstrip supply, according to Mr Ingo Skulason, managing director of Aquastar, a wholly owned subsidiary of BP Nutrition.

Aquastar last year was enlisted by a consortium of Norwegian banks to dispose of a 57,000-tonne mountain of frozen salmon, representing a fifth of Norway's annual production, following last November's bankruptcy of the Norwegian fish farmers' sales organisation. Norway's salmon farmers produce about half of total Atlantic salmon supplies. The salmon mountain was amassed as a result of overproduction and led to a world glut and a plunge in prices. Mr Skulason said recently that all but 2,000 tonnes had been sold outside the European Community at a price between Nkr20 and Nkr40 (1.50 and 2.50) a kilogram, yielding gross sales of an estimated £100m.

"With the exception of December, when sales were made at about Nkr20 a kilogram, the project has been a success," he said. "The situation demanded disposal of the stock in a controlled way outside EC markets. It was crucial to avoid dumping charges, stabilise the market and reduce the turbulence surrounding the matter." Aquastar explained. The idea was that Aquastar could make use of BP Nutrition's international trading

network to market the salmon in a way that avoided violation of Norway's trade policy. To handle the project, Aquastar established a separate unit as a limited liability company in Stavanger, of which Mr Skulason, head of Aquastar Europe, was

that because of the success of the operation, the Norwegian government would be able to recoup a Nkr400m non-interest bearing loan provided through the consortium of banks to establish the marketing enterprise. Bank losses would also be minimised.

European Salmon Market (tonnes)					
	1989	1990	1991	1992	1993
Supply					
Norway	124,000	165,000	155,000	128,000	109,000
UK	29,000	33,000	41,000	40,000	38,000
Ireland	6,000	7,500	8,300	9,000	9,000
Others	9,000	14,000	20,000	16,000	11,000
Total	168,000	219,500	244,300	193,000	167,000
Estimated Demand	146,000	171,000	198,000	208,000	218,000

*Including frozen stock. Source: Aquastar

appointed managing director.

It was also in Aquastar's interest to undertake the task in such a way as to provide a basis for profitability, stability and growth of the European fish farming industry. More than 30 countries in eastern Europe and the Far East purchased the salmon, which was sold at prices far above earlier expectations.

"We believe we have succeeded in this big challenge because we had to sell the frozen salmon during low season when prices are normally weaker and we were prohibited from selling in the EC," Mr Skulason said. He explained

According to Mr Skulason, however, demand for farmed salmon will outstrip supply by the end of this year despite a rise in prices, which have averaged between Nkr48 and Nkr60 a kilogram in recent weeks, compared with Nkr30 to Nkr45 in April and May. He forecast a worldwide deficit of some 50,000 tonnes in 1992, growing to 100,000 tonnes in 1993. Mr Skulason based his projections on a number of factors including "market psychology".

"The market knows that nearly all of the frozen salmon mountain has been sold, so there is no reason for further

speculation about the mountain and its possible effect on market prices, and there are long production lead times preventing farmers from rapidly increasing supply," he explained.

He added that because of the operation's success, stability had been created in the market, fuelling optimism about its future development.

In recent years, demand for farmed salmon has increased by 20 to 30 per cent annually, but production has exceeded demand. However, with emergence of new markets like southern Europe and with the current high level of prices, Mr Skulason sees at least a two-year window for the salmon-farming industry to yield good profits.

By comparison, European demand in 1989 was 146,000 tonnes compared with production of 188,000. There was overproduction of about 42,000 tonnes in 1990 and 45,000 tonnes in 1991.

In Europe, Aquastar has offices in Belgium, Britain, Spain and Norway but sees opportunities for European expansion during the next few years. It said it was rapidly developing internationally into a well-known trade name and believed that it was set to become a major supplier to branded producers, multiple retailers and in the seafood industry for repackaging for various points of sale.

Indian tea faces crisis after Russian withdrawal

By Kunal Bose in Calcutta

THE INDIAN tea industry is facing a crisis following the disappearance of Russian buyers from the country's tea auction centres. The withdrawal has been caused by the Russians exhausting the technical credit of \$32m extended by the Indian federal government earlier this year.

"Without the Russians the bottom will soon be falling out of the Indian tea market," said Mr H.P. Barooah, chairman of Indian Tea Association. Under the trade protocol, Russia is supposed to buy 65m kg of Indian tea in the current year but so far it has bought only 16m kg.

Russia will need another at least \$100m worth of technical credits to procure the remaining amount and the beleaguered Indian industry has made a representation to the federal government for an immediate release of \$20m so that its buyers can return to the auctions.

Mr Hiteswar Saikia, chief minister of the largest tea growing state of Assam, is

Sri Lanka tea production fell by 41.4m kg in the first half of this year, nearly 50 per cent of the world crop reduction, writes Mervyn de Silva in Colombo. World production in the January-June period fell by 86m kg, says Forbes and Walker, a leading local broker.

Production in India and Kenya, Sri Lanka's main competitors also dropped, by 23.4m kg and 12.5m kg respectively, but Sri Lanka's fall of just over 20 per cent is the highest of all major producers.

Only Bangladesh and Tanzania registered increases in the period.

"The prolonged drought hit our tea industry hard," said a plantation ministry official. While production has dropped, prices have improved, however.

"The slump and more especially, the Russian demand have influenced prices," said a leading Colombo broker, who pointed out that "each time the Russians were present at auctions in the past three months, our tea fetched better prices".

reported to have urged Mr Manmohan Singh, India's finance minister, to come to the rescue of the tea industry by giving Russia further technical credits, but New Delhi is unrelenting. It has made it clear that further release of technical credit will have to await Russia giving oil and petroleum lubricants to India as part of the barter arrangement.

Mr Barooah said the setback to tea exports had already

export target of 198m kg for the current year on the assumption that Russia would lift the agreed quantity of 65m kg and the other constituents of CIS would import about 10m kg.

While there is great uncertainty about export to Russia, India hopes to be able to step up tea sales elsewhere, in Iran, Poland and Egypt, for example. But these markets, according to Mr Barooah, are no substitute for Russia in the short term. Last year, India exported 104.5m kg of tea to the Soviet Union, more than 60 per cent of that going to Russia.

According to Mr Barooah, even though India will be harvesting a lower crop of about 715m kg in 1992, compared with 742m kg last year, the industry will not find it easy to dispose of the crop because of the poor Russian buying.

In the long run, however, there remains immense scope for stepping up domestic consumption of tea. Annual consumption of tea in India is about 600 grammes a head, compared with about 3 kg in the UK.

Milk trade fails to agree pricing scheme

By David Blackwell

THE UK MILK Marketing Board and the Dairy Trade Federation have failed to agree on a new way of pricing milk for manufacturing.

The scheme, which was endorsed by both the Agriculture Ministry and the EC, aimed to end the much criticised system under which the MMB sets 24 different price levels according to how the milk is

used. The new system - due to be introduced next Tuesday - had already been delayed earlier this year.

"New Ways of Buying Milk", as the scheme was known, would have priced milk for manufacturing according to its supply profile, with a premium being charged for regular deliveries. However, defying the law, prices in the higher prices were set under the scheme the greater the demand

for milk would have been.

The MMB said that at one price level annual demand would have exceeded supply by over 10m litres, or 22 per cent. This was partly because the UK is not self-sufficient in milk and production is restricted by EC milk quotas. But the DTF said its members would demand more milk at higher prices in order to reduce their unit costs when making dairy products.

The National Farmer's Union said yesterday it was very disappointed that the MMB scheme was not going forward. "New Ways" would have led to better prices for dairy farmers, but with a return to the end-use system the prospects of better returns had diminished. The MMB, which is planning to turn itself into a voluntary co-operative by mid-1994, said it would now be returning to end-use pricing.

WORLD COMMODITIES PRICES

MARKET REPORT

The dollar's plunge to successive lows against the D-mark pushed GOLD higher on the London bullion market, but the gains were limited by reported producer selling on Comex and the sharp losses over the past two weeks. Some short covering emerged after a large early buying order in Europe, but dealers said gold's attraction as a safe haven from the collapsing dollar was dented by the recent sell-off by US funds, and capital was mainly moving to the Swiss franc. The turmoil in the currency markets kept BASE METAL trading on the LME quiet as traders tried to keep their exposure to a

London Markets

SPOT MARKETS	
Crude oil (per barrel FOB Oct)	+0.1
Diesel	\$17.85-86
Brant Blend (dated)	\$19.65-70 +0.10
Brant Blend (Oct)	\$19.65-80 +0.10
W.11 (11 pm net)	\$21.30-35 +0.20
Oil products	
WWF prompt delivery per tonne CIF	+0.1
Premium Gasoline	\$215-217
Gas Oil	\$113-115 +2.5
Heavy Fuel Oil	\$84-86
Naphtha	\$189-190 -1
Petroleum Argus Estimates	
Other	
Gold (per troy oz)	\$342.20 +4.75
Silver (per troy oz)	\$373.50 -2.5
Platinum (per troy oz)	\$911.25 +1
Palladium (per troy oz)	\$95.00 +0.5
Copper (US Producer)	118.00 -1
Lead (US Producer)	28.40 -0.8
Aluminium (prime)	167.75 -1
Tin (New York)	\$15.50 -1
Zinc (US Prime Western)	\$2.00 -1
Cattle (live weight)	110.50 +0.50
Sheep (live weight)	73.50 +0.10
Pigs (live weight)	68.00 +0.20
London daily sugar (raw)	\$24.50 -2
London daily sugar (white)	\$27.50 -2
Barley (English export)	\$118.50 +0.25
Maize (US No. 3 yellow)	\$1.48 0
Wheat (US Dark Northern)	\$1.48 0
Rubber (RSS No. 1)	216.50 -0.75
Rubber (RSS No. 2)	216.50 -0.75
Cocoa (Philippines)	\$510.00 +5
Cocoa (Philippines)	\$540.00 +12.5
Soyabean (US)	\$132.00 -0.5
Cotton "A" Index	58.15 -0.15
Woolstone (W/S Super)	59.75

COCAOA - London FOEX

	Close	Previous	High/Low
Sep 004	611	609	601
Oct 003	611	611	627
Nov 002	608	608	607
Dec 001	607	607	607
Jan 000	708	708	697
Sep 717	724	727	715
Oct 743	748	742	738
Nov 776	777	773	771
Dec 792	792	792	792

SUGAR - London FOEX

	Close	Previous	High/Low
Oct 202.00	201.00	197.00	
Nov 203.00	194.00	181.00	183.00
Dec 195.00	197.00	183.00	
Jan 195.00	197.00	183.00	
Feb 195.00	197.00	183.00	
Mar 195.00	197.00	183.00	
Apr 195.00	197.00	183.00	
May 195.00	197.00	183.00	
Jun 195.00	197.00	183.00	
Jul 195.00	197.00	183.00	
Aug 195.00	197.00	183.00	

CRUDE OIL - IPE

	Close	Previous	High/Low
Oct 30.04	19.86	20.05	19.80
Nov 30.08	19.75	20.10	19.65
Dec 30.10	19.75	20.10	19.65
Jan 30.10	19.75	20.10	19.65
Feb 30.10	19.75	20.10	19.65
Mar 30.10	19.75	20.10	19.65
Apr 30.10	19.75	20.10	19.65
May 30.10	19.75	20.10	19.65
Jun 30.10	19.75	20.10	19.65
Jul 30.10	19.75	20.10	19.65
Aug 30.10	19.75	20.10	19.65

GAS OIL - IPE

	Close	Previous	High/Low
Sep 177.75	177.00	176.50	174.50
Oct 182.50	182.00	181.50	180.00
Nov 182.50	182.00	181.50	180.00
Dec 182.50	182.00	181.50	180.00
Jan 182.50	182.00	181.50	180.00
Feb 182.50	182.00	181.50	180.00
Mar 182.50	182.00	181.50	180.00
Apr 182.50	182.00	181.50	180.00
May 182.50	182.00	181.50	180.00
Jun 182.50	182.00	181.50	180.00
Jul 182.50	182.00	181.50	180.00
Aug 182.50	182.00	181.50	180.00

COFFEE - London FOEX

	Close	Previous	High/Low
Sep 754	733	735	730
Oct 754	732	734	730
Nov 764	762	763	760
Dec 776	777	774	773
Jan 786	787	787	787
Feb 802	800	799	799

POTATOES - London FOEX

	Close	Previous	High/Low
Sep 61.2	60.0	61.1	59.5
Oct 61.2	60.0	61.1	59.5
Nov 61.2	60.0	61.1	59.5
Dec 61.2	60.0	61.1	59.5
Jan 61.2	60.0	61.1	59.5
Feb 61.2	60.0	61.1	59.5
Mar 61.2	60.0	61.1	59.5
Apr 61.2	60.0	61.1	59.5
May 61.2	60.0	61.1	59.5
Jun 61.2	60.0	61.1	59.5
Jul 61.2	60.0	61.1	59.5
Aug 61.2	60.0	61.1	59.5

SOYABEAN - London FOEX

	Close	Previous	High/Low
Oct 118.70	118.70		
Nov 121.70	121.70		
Dec 121.70	121.70		
Jan 121.70	121.70		
Feb 121.70	121.70		
Mar 121.70	121.70		
Apr 121.70	121.70		
May 121.70	121.70		
Jun 121.70	121.70		
Jul 121.70	121.70		
Aug 121.70	121.70		

WHEAT - London FOEX

	Close	Previous	High/Low
Sep 113.25	113.25	113.70	113.25
Oct 115.00	115.00	115.85	115.00
Nov 122.45	122.70	125.45	125.45
Dec 122.45	122.70	125.45	125.45
Jan 122.45	122.70	125.45	125.45
Feb 122.45	122.70	125.45	125.45
Mar 122.45	122.70	125.45	125.45

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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro 55

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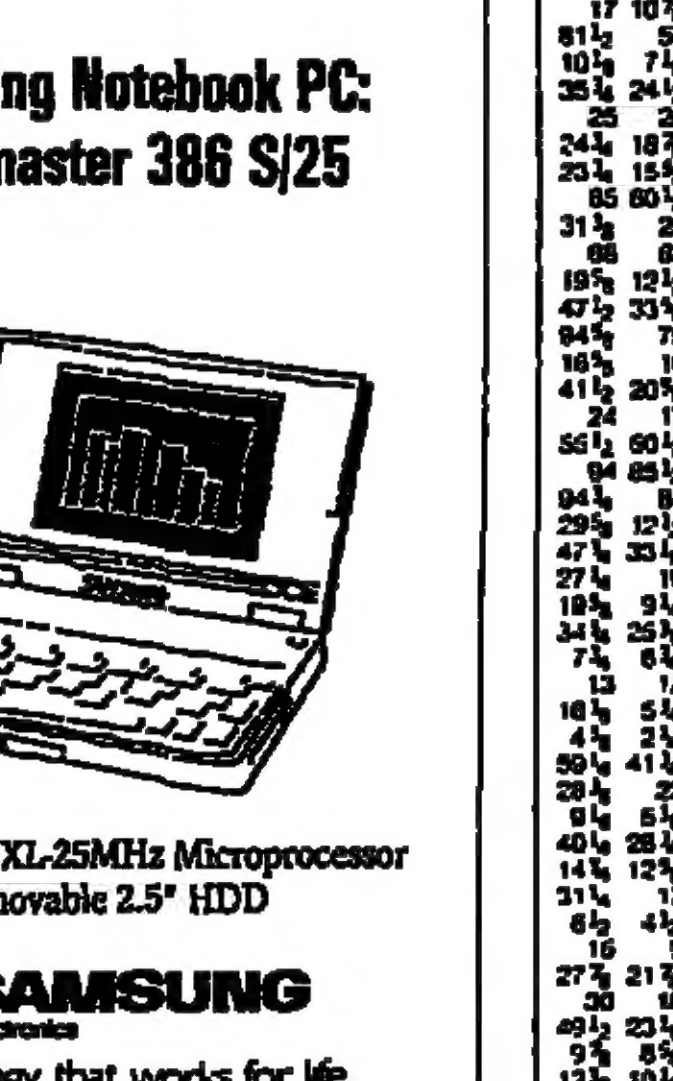
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4 pm close August 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Samsung Notebook PC:
Notemaster 386 S/25

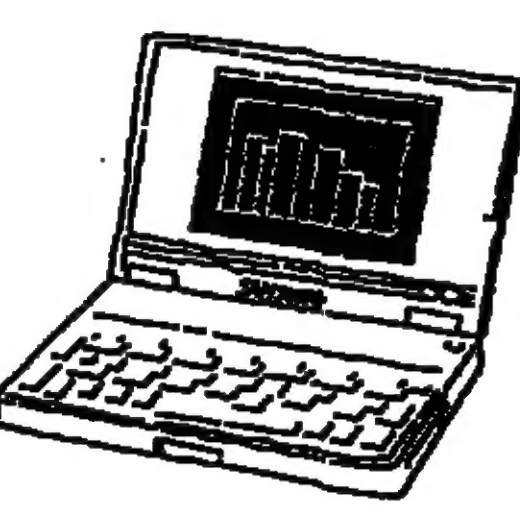


AMD 80386SX/25MHz Microprocessor
Removable 2.5" HDD

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Continued on next page

**Samsung Notebook PC:
Notemaster 386 S/25**

**Intel 80386SXL-25MHz Microprocessor Assembly 2.5" HDD**

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100

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AMERICA

Weak dollar and bonds upset equity investors

Wall Street

US STOCK markets yesterday added to last Friday's sharp losses as further declines in bond prices and the dollar continued to upset equity investors, writes Patrick Harverson in New York.

At the close the Dow Jones Industrial Average was down 25.93 at 3,228.17, not far off its low for the session. The more broadly based Standard & Poor's 500 fell 4.14 to 410.71, while the American SE composite lost 3.41 to 380.90 and the Nasdaq composite dropped 8.31 to 555.39.

Turnover on the New York Stock Exchange came to 167m shares, and declines outpaced rises by more than three-to-one.

In spite of further intervention by the Federal Reserve, the dollar fell yesterday to DML40, its lowest-ever level against the D-Mark.

The weak dollar has undermined bond markets, where the yield on the 30-year bond has inched back up towards 7.5 per cent, because investors believe that the lower US currency reduces the chances for another interest rate reduc-

tion by the Federal Reserve. The same concerns have troubled equity investors, who have reacted negatively to the rise in bond yields, which they fear could hinder the economy's ability to stage a solid recovery from the last year's recession. Stock market sentiment was also damaged by the news that Salomon Brothers, the big securities house, had raised its target price for the company from \$50 to \$40, a move seen as a sign of pessimism about the company's future.

Insurance companies were lower in the wake of Hurricane Andrew's assault on South Florida. Investors sold in anticipation of big insurance payouts because of the hurricane damage, leaving Cigna down 3% at \$51. Travelers 3% lower at \$20.75, Aetna 1% cheaper at \$29 and Geico 3% off at \$57.4.

LSI Logic slipped 3% to \$54 after the company announced plans to take a restructuring charge of \$95 to \$100m in the third quarter, which would result in a loss of more than \$100m, or \$2 a share.

Daxor, which is traded on the American Stock Exchange, plunged 3% to \$26 on news that Resinno was no longer

interested in buying the company, which operates a blood and human sperm bank.

On the Nasdaq market, the big computer and biotech stocks were lower.

Northeast Bancorp rose 3% to \$89 on rumours that the company was up for sale. Chase Manhattan, Fleet Financial, Bank of Boston and First Fidelity were all touted as possible buyers.

Canada

TORONTO stocks shrugged off an historic agreement that could end years of wrangling over the Canadian constitution with the lack of enthusiasm typical of Monday. The market instead focused on the stunning US dollar to end moderately lower.

The TSE 300 index shed 9.5 to 3,380.8 and declines led advances by 303 to 204 after volume of 23.7m shares. Bank shares continued to see profit-taking, following National Bank of Canada's disappointing third-quarter earnings reported late last Thursday. The other major banks begin reporting their earnings for the period today.

By John Pitt

The downward trend on European equity markets is gathering pace as the weakness in the dollar and sterling, and fears of higher interest rates in the UK, undermine investor confidence.

Mr Gary Dugan, European strategist at Baring Securities, believes that worse is to come before investors can hope for any sort of recovery. He expects a further fall of between 5 to 10 per cent before European markets reach support levels and buyers are tempted back into the market.

In retrospect, it has been poor second-quarter results from blue chip companies across Europe, and particularly from Germany, that has triggered the decline, he says.

Further evidence of weakness in Germany is expected this week when two chemical companies report their interim results.

Baring is forecasting that BASF will show a 35 per cent drop in second-quarter earnings from the year-ago period, while it estimates a 22 per

cent fall in Hoechst's figures.

On the other hand, research by Mr Joe Rooney, European strategist at James Capel, suggests that not all cyclical stocks have been damaged by the deepening economic recession. Since January 1991, Akzo, Rhône Poulenc and Ciba-Geigy have outperformed other European chemical issues in local currency terms, which supports the case that fund managers are being very selective.

Nevertheless, he remains cautious about the chances for a turnaround this year. "I think we will continue to see down-grading of companies across Europe throughout this year, and until people are confident that interest rates will come down, things look set to remain as they are," he says.

The weakness of the dollar was one, but by no means the most important, factor which affected sentiment last week. The publication of new opinion polls in France indicating that a 'yes' vote in the September referendum on the Maastricht treaty was less than certain not only upset the Paris equity market but also caused unrest

to spread to other bourses.

Unfounded fears that Germany might be forced to raise its Lombard rate added to the negative mood, while Hafnia's suspension of payments mid-week weighed on the share prices of a number of leading institutions with stakes in the Danish insurer.

The European segment of the FT-Actuaries World Index only showed a slight fall on the week, helped by technical rallies in Austria and Italy after their steep declines during the summer. However, excluding the UK, the index has dropped 2.5 per cent in the August month and is more than 8 per cent down on the quarter.

The world index was nearly 2 per cent stronger on the week as Japan pulled out of its recent slide. Other world markets remained mixed last week, with the best performance coming from Japan as it responded to the government's measures aimed at supporting equities. But Tokyo's rebound has done little to encourage markets in the Pacific Rim.

MARKETS IN PERSPECTIVE

	% change in local currency				% change sterling	% change in US \$
	1 Week	4 Weeks	1 Year	Start of 1992		
Austria	+6.20	-2.34	-24.18	-12.86	-12.89	-9.02
Belgium	+1.66	-2.90	-4.51	-3.78	+2.25	+1.61
Denmark	-2.48	-7.05	-26.27	-20.18	-18.37	-15.03
Finland	-8.22	-13.40	-36.26	-21.84	-22.40	-19.24
France	-0.42	+0.52	-0.18	-0.47	+1.54	+5.89
Germany	-2.39	-6.75	-7.51	-6.99	-5.88	-1.82
Ireland	+0.16	-2.29	-13.90	-10.09	-9.06	-5.35
Italy	+3.51	+1.18	-22.36	-17.97	-17.34	-13.95
Netherlands	+0.20	+0.60	+0.00	+3.10	+4.50	+8.76
Norway	-7.58	-14.56	-38.92	-22.20	-21.99	-18.80
Spain	+1.36	-1.25	-19.88	-15.03	-14.98	-11.51
Sweden	-3.91	-3.85	-20.81	-6.47	-5.01	-1.12
Switzerland	-1.56	-0.31	+3.93	+5.73	+7.79	+12.18
UK	+0.22	-1.02	-10.21	-5.54	-5.54	-1.56
EUROPE	-0.28	-1.70	-8.52	-5.38	-4.55	-0.65
Australia	+0.55	-3.45	-1.27	-7.43	-15.88	-12.43
Hong Kong	-5.35	-8.35	+41.80	+28.55	+24.23	+22.31
Japan	+11.82	+6.31	-25.92	-25.87	-29.37	-26.48
Malaysia	-1.83	-5.36	+4.16	-2.24	+2.36	+6.55
New Zealand	+0.38	-8.90	+0.07	-9.16	-13.05	-9.48
Singapore	+0.80	-9.02	-3.88	-15.95	-18.68	-15.35
Canada	+0.54	-0.49	-5.49	-4.51	-11.03	-7.40
USA	-1.24	+0.74	-6.56	-0.51	-4.43	-0.51
Mexico	-4.81	-6.98	+23.08	-4.17	-9.40	-5.70
South Africa	+0.90	-7.04	-7.16	-9.17	-25.15	-22.09
WORLD INDEX	+1.95	+0.99	-7.71	-9.52	-12.41	-8.82

Based on August 21st 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

ASIA PACIFIC

Nikkei's 2.5% gain fails to encourage Pacific Rim

Tokyo

SHARE PRICES extended their gains on continued short-covering and bargain hunting, and the Nikkei average ended a volatile session with a rise of 2.5 per cent, writes Shingo Terano in Tokyo.

The 225-issue average added 411.08 to 16,827.96. The index fell to the day's low of 16,166.40 in the morning but later broke above the 17,000 mark, reaching 17,182.96. Some of the share price gains were trimmed in the last hour of trading as investors grew cautious about the pace of the rise.

Volume jumped to 570m shares from Friday's 417m, surpassing 500m for the first time since June 12. Rises outnumbered declines by 830 to 121, with 69 issues unchanged. The Topix index of all first section stocks advanced 43.39 to 1,296.09, but in London the ISE/Nikkei 50 index receded 12.25 to 1,653.50.

Speculation that a reduction in the country's official discount rate would be announced at the end of the week, and continued optimism in the wake of the government's emergency economic package, spurred activity.

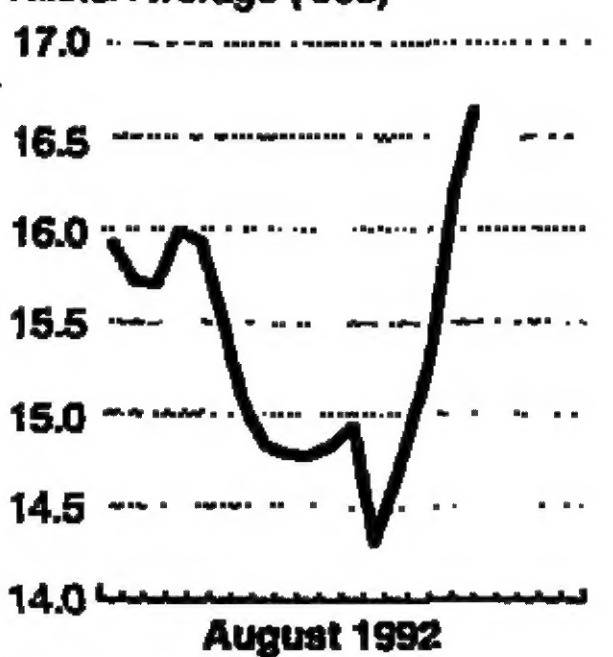
Although the Nikkei index breached an important technical level, not all investors have been able to keep up with the sharp reversal in sentiment. "The speed with which things have moved during the last few days have made it most difficult for fund managers," said Mr Nick Cant at Baring Securities. The Nikkei has rallied 18.2 per cent since last week's announcement of emergency measures to help the ailing banking system.

Foreign investors were seen buying financial issues. Tokio Marine & Fire put on Y20 to Y1,200.

Short-sellers bought back

Japan

Nikkei Average (000)



Source: Datastream

Nippon Housing Loan, the home-loan company facing financial restructuring due to problem loans. It was the most active issue of the day, rising Y80 to Y401.

Other stocks which were also subject to speculative short-selling last week strengthened, with Okamoto improving Y110 to Y1,190 and Dai-ichi, the condominium developer, moving up Y80 to Y830.

Banks also made firm gains, with Industrial Bank of Japan rising Y200 to Y2,200 and Sakura Bank Y170 to Y1,300.

Sony, however, fell Y30 to Y4,040 on profit-taking and Nissan Motor lost Y4 to Y588.

In Osaka, the OSE average surged 714.53 to 18,219.16 in volume of 24.9m shares. The index rose above 18,000 for the first time since July 23.

Roundup

WALL STREET'S fall on Friday had more influence on Pacific Rim markets than yesterday's rise in Tokyo.

HONG KONG weakened on US-China trade dispute fears and worries that blue chip companies will announce disappointing half-time results. The Hang Seng index finished 118.46, or 2.2 per cent, off at 5,390.93, exaggerated by the

thin turnover of HK\$1.96bn, down from Friday's HK\$2.63bn.

HSBC Holdings, which reports its interim today, was down 75 cents at HK\$49.75 on expectations that the bank may announce a provision to cover its exposure to Canadian property developer Olympia & York. Wharf Holdings retreated 80 cents to HK\$14 on fears of poor results being reported tomorrow.

SEOUL was lifted by news of long-anticipated market-boasting measures and South Korea's signing of diplomatic ties with China. The composite index climbed 12.13 to 383.73.

The Finance Ministry said institutions would be encouraged to buy Won3.4 trillion worth of equities and the Securities Stabilisation Fund would be required to raise Won500bn for buying equities.

AUSTRALIA closed lower, the All Ordinaries index losing 19.8 to 1,539.5. National turnover was halved by a 5.4-hour breakdown in the dealing system which wiped out morning business. Only 64.9m shares worth A\$15m changed hands.

TAIWAN focused on smaller stocks as the weighted index rose 27.87 to 3,850.68, but turnover contracted to T\$18.17bn from Saturday's T\$23.4bn.

NEW ZEALAND's NZSE-40 capital index dipped 3.98 to 1,476.26 in turnover of NZ\$1.1m. Weakness in Fletcher Challenge, down 3 cents at NZ\$2.11, was partially offset by Telecom, up 2 cents at NZ\$2.31.

SINGAPORE's Straits Times Industrial index shed 18.54 to 1,330.77 in volume of 22.7m shares, and in KUALA LUMPUR, the composite index ended 2.10 down at 865.56.

MANILA fell in reaction to Wall Street and on continued investor aversion to the new board of Philippine National Bank. The composite index slipped 19.41 to 1,455.71.

EUROPE

Bourses fall on currency, corporate fears

A weak dollar, fears of poor interim results and more bad news from Scandinavia kept the downward pressure on continental bourses, writes Our Markets Staff.

FRANKFURT began the week with further declines across the board. The chemical sector was particularly weak as investors sold in anticipation of disappointing first-half results. The FAZ index lost 4.78 to 593.28 at mid-session while the DAX index fell 21.28 or 1.4 per cent to 1,498.74. Its lowest close since August 1991. German shares extended their decline in the post-bourse with the index estimated to have fallen a further 1.3 per cent. Turnover was unavailable.

Hoechst, which shed DM7.90 to DM231.80, was also affected by the dollar's weakness because of its US exposure: Bayer fell DM7.80 to DM255.80 and BASF finished the session down DM4.30 to DM213.90. Specialty chemicals stocks also fell, with Schering dropping DM14.50 to DM689.50 and Henkel DM15 lower at DM575.

Reports that the cartel office may take action against banks for paying low interest rates on savings accounts weighed on the sector. Deutsche Bank lost DM5 to DM611, Dresdner Bank was down DM5.80 at DM319.20 and Commerzbank slipped DM4 to DM219.

PARIS dropped 3.1 per cent as selling on the last day of the account pushed the CAC-40 index down by 54.47 to 1,689.71 in turnover of FF2.2bn. Dealers expect a technical rebound today.

Euro Disney dropped FF5.25 or 7.1 per cent to FF68.25, as bad sentiment towards the stock persisted following a broker sell note last week. There were also fears that the theme park operator will not pay a dividend on 1992 results. UAP lost FF17.10 to FF356.90 on worries about the

SOUTH AFRICA

DE BEERS led the declines in Johannesburg following share falls overseas. The overall index closed 31 weaker at 3,148 and industrials fell 39 to 4,046. A firm bullion price boosted golds by 15 to 945.

FT-SE Eurotrack 100 - Aug 24

Hourly changes									
Open	10.30am	11am	12pm	1pm	2pm	3pm	close		
1019.69	1017.99	1017.97	1016.27	1016.70	1013.25	1009.99	1010.52		
Day's High 1019.98					Day's Low 1009.47				
Aug 21	Aug 20	Aug 19	Aug 18	Aug 17					
1039.54	1030.83	1033.91	1035.74	1045.00					

Base value 1000 (28/10/90)

consequences of its stake in Hafnia, the troubled Danish insurer. The stock also fell following a report from James Capel underweighting the French insurance sector.

Elf fell FF6.40 to FF7309.80 ahead of its interim results which were announced after the close. The drop in net profit to FF3.34bn from FF5.22bn in the year-ago period came in at the lower end of forecasts.

MILAN fell as the lira slid further against the mark. Rumours of brokers in difficulty also weighed on senti-

ment. The Comit index fell 6.06 to 400.06 in turnover estimated at L50bn after Friday's L46.3bn.

Banca Commerciale Italiana, the state-controlled bank which surged last week on rumours of a private sector takeover bid, dropped L87 or 3.4 per cent to L2,438 as the speculative fizz evaporated.

OSLO plunged 5.9 per cent, following the suspension of shares in the troubled insurer, Uni Storebrand. The all-share index fell 19.14 to 305.30, its lowest level since November 1988, in thin turnover of NKR153m.

Uni Storebrand shares, which closed at an all-time low of NKR13.30 on Friday, were suspended as the company tried to secure new capital.

STOCKHOLM plunged 4 per cent as domestic interest rates continued to rise. The Affarsvariden General Index fell 31.6 to 750.2, its lowest close since February 1988, in turnover of SKR486m after SKR382m.

Skandia dropped SKR6 or 8.8 per cent to SKR62 on news that Uni Storebrand, which owns 28.3 per cent of the Swedish company, had been suspended.

COPENHAGEN'S KFX index fell 1.90 to a new all-time low of 77.16 in busy trading.

ZURICH fell sharply as the SMI index lost 41.3 or 2.3 per cent to 1,726.3.

The chemical sector took its cue from Frankfurt with Ciba-Geigy registered shares down SF16 to SF1631 and Roche certificates SF80 weaker at SF23.290. Nestlé was one of the

day's biggest losers, its bearers down SF110 or 1.2 per cent to SF9,020, but off the day's low of SF9,960.

AMSTERDAM followed neighbouring markets lower as the CBS Tendency index closed down 3.7 or 3.3 per cent at 107.8, but volume remained thin.

DSM and Akzo lost FL2.30 and FL3.80 respectively to FL100.30 and FL143.30 while Royal Dutch was down FL4.70 to FL141.00. DAF saw one of the day's biggest falls, losing FL1.90 or 10.6 per cent to FL16.00.

BRUSSELS lost further ground with Banque Bruxelles Lambert off BFR230 or 7 per cent at BFR3,070 and Delhaize down BFR59 to BFR1,486. The Bel-20 index lost 28.30 or 2.5 per cent to 1,085.12 in turnover estimated at BFR900m.

MADRID's general index closed down 2.54 at 307.50 in turnover of Pts76n.

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PUBLISHED WITH THE FT ON NOVEMBER 27

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 24 1992										FRIDAY AUGUST 21 1992										DOLLAR INDEX		
	US Dollar Index	Day's Change	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg	Gross Div Yield	1992 High	1992 Low	Year ago (approx)					
Figures in parentheses show number of lines of stock																							
Australia (88)	129.26	-2.1	96.09	101.81	94.32	120.62	-1.3	4.54	132.10	100.57	105.21	98.69	122.22	153.68	129.26	145.68	129.26	145.68					
Austria (19)	150.98	-0.6	111.92	118.59	109.86	111.21	-2.7	2.83	151.91	115.34	120.68	113.19	114.34	186.70	136.27	175.16	150.98	150.98					
Belgium (42)	148.01	+1.0	110.07	116.82	108.04	105.30	-1.1	5.81	107.67	111.68	116.81	109.57	107.06	152.27	135.87	126.80	148.01	126.80					
Canada (114)	128.31	+0.1	93.89	99.48	92.18	108.88	-0.1	3.18	120.25	96.99	100.53	94.29	108.68	142.12	124.32	140.12	128.31	124.32					
Denmark (25)	226.85	+0.0	169.70	178.75	165.60	167.53	-2.2	1.83	226.99	172.80	180.79	169.58	171.34	273.94	225.91	253.19	226.85	225.91					
Finland (135)	64.27	+2.0	47.70	50.82	48.90	52.73	-1.3	2.70	63.01	47.97	50.18	47.09	52.92	88.80	63.01	95.01	64.27	63.01					
France (15)	125.58	+0.1	100.35	124.34	115.19	118.38	-2.7	3.80	159.00	121.05	131.63	118.78	121.72	168.76	148.06	158.26	125.58	148.06					
Germany (64)	222.48	-2.4	165.38	175.22	162.35	162.82	-2.5	1.83	222.48	173.61	180.79	165.38	175.22	273.94	225.91	253.19	222.48	225.91					
Hong Kong (83)	222.48	-2.4	165.38	175.22	162.35	162.82	-2.5	1.83	222.48	173.61	180.79	165.38	175.22	273.94	225.91	253.19	222.48	225.91					
India (10)	158.27	+0.8	118.48	125.54	118.30	119.08	-2.1	4.44	158.83	120.92	126.51	118.86	121.67	173.71	151.76	173.71	158.27	151.76					
Italy (78)	85.04	+0.3	118.48	125.54	118.30	119.08	-2.1	4.44	158.83	120.92	126.51	118.86	121.67	173.71	151.76	173.71	85.04	151.76					
Japan (473)	104.45	+4.6	77.64	82.27	76.23	82.27	-2.1	3.4	103.99	76.23	82.27	76.23	82.27	82.27	82.27	82.27	104.45	82.27					
Malaysia (69)	227.08	-0.2	168.24	173.32	161.13	218.39	-0.5	2.89	228.20	173.73	181.75	161.75	170.49	219.25	200.47	214.28	227.08	200.47					
Netherlands (25)	158.45	+0.1	122.98	130.41	126.72	119.13	-2.7	4.89	131.68	126.72	131.68	126.72	131.68	126.72	131.68	126.72	158.45	126.72					
New Zealand (14)	42.34	+0.4	31.47	33.35	30.90	41.76	0.4	5.44	42.32	31.47	33.35	31.47	33.35	45.52	42.31	45.52	42.34	42.31					
Norway (14)	184.58	+0.8	137.19	148.44	134.67	136.25	-1.4	2.43	184.58	137.19	148.44	134.67	136.25	184.58	137.19	148.44	184.58	137.19					
Singapore (38)	184.58	+0.8	137.19	148.44	134.67	136.25	-1.4	2.43	184.58	137.19	148.44	134.67	136.25	184.58	137.19	148.44	184.58	137.19					
South Africa (61)	157.09	+1.5	124.06	150.51	139.43	155.71	0.9	3.27	157.09	124.06	150.51	139.43	155.71	157.09	124.06	150.51	157.09	124.06					
Spain (10)	184.58	+0.8	137.19	148.44	134.67	136.25	-1.4	2.43	184.58	137.19	148.44	134.67	136.25	184.58	137.19	148.44	184.58	137.19					
Sweden (30)	161.75	-1.8	131.13	138.94	128.74	132.04	-3.6	3.07	179.11	136.16	142.66	133.82	131.21	200.28	173.00	190.01	161.75	173.00					
Switzerland (82)	113.32	+0.8	84.24	89.26	82.70	87.22	-2.2	2.46	112.65	84.24	89.26	82.70	87.22	89.26	84.24	89.26	113.32	84.24					
Taiwan (229)	166.27	+0.0	149.55	152.95	132.98	136.49	-2.3	5.39	162.11	138.72	145.11	133.62	138.72	200.07	165.85	177.53	166.27	165.85					
USA (522)	167.25	-1.0	124.92	131.78	122.04	130.40	-0.4	3.01	169.01	128.66	134.62	126.27	169.01	171.14	156.36	169.01	167.25	156.36					
Europe (789)	148.98	+0.2	108.26	115.77	108.26	108.75	-2.1	4.37	146.73	108.75	116.87	108.75	116.87	108.75	116.87	108.75	148.98	108.75					
Nordic (103)	163.07	+1.2	121.22	128.44	118.99	118.11	-3.4	2.59	165.95	128.44	121.22	118.99	118.11	163.07	121.22	128.44	163.07	121.22					
Pacific Basin (715)	166.92	+3.7	80.96	85.79	87.91	87.36	+2.8	1.40	101.05	79.84	83.64	78.45	85.02	141.97	93.70	123.78	166.92	93.70					
Asia (224)	120.41	+0.2	122.41	87.91	90.41	96.13	+0.4	2.82	122.41	87.91	90.41	96.13	90.41	96.13	90.41	96.13	120.41	90.41					
North America (536)	104.68	-1.0	122.41	122.41	122.41	122.41	-1.0	2.82	104.68	122.41	122.41	122.41	122.41	122.41	122.41	122.41	104.68	122.41					
Europe Ex. UK (861)	125.58	+0.3	93.39	98.50	91.85	93.37	-2.0	3.64	125.58	93.39	98.50	91.85	93.37	98.50	91.85	93.37	125.58	91.85					
Pacific Ex. Japan (262)	162.80	+0.8	118.99	128.38	111.50	108.43	-1.6	3.90	155.66	118.99	128.38	111.50	108.43	162.80	118.99	128.38	162.80	118.99					
Japan (473)	104.45	+4.6	77.64	82.27	76.23	82.27	-2.1	3.4	103.99	76.23	82.27	76.23	82.27	82.27	82.27	82.27	104.45	82.27					
World Ex. UK (1291)	134.71	+0.7	102.94	106.12	96.31	117.79	+0.0	2.90	133.73	102.94	106.12	96.31	117.79	134.71	102.94	106.12	134.71	102.94					
World Ex. U.S. (1,158)	136.74	+0.7	102.94	106.12	101.10	119.05	-0.2	2.90	136.74	102.94	106.12	101.10	119.05	136.74	102.94	106.12	136.74	102.94					
World, Japan (224)	158.27	+0.6	117.65	124.97	115.51	140.76	-1.4	3.54	159.27	121.35	126.88	119.01	142.80	185.40	153.20	151.61	158.27	153.20					
The World Index (1719)	138.82	+0.7	103.19	109.43	101.30	119.40	-0.2	2.90	137.92	103.19	109.43	101.30	119.40	138.82	103.19	109.43	138.82	103.19					